TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 13 of 16 Parts

(June 11, 1970)

Printed for the use of the Committee on Ways and Means

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TARIFF AND TRADE PROPOSALS

THURSDAY, JUNE 11, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Al Ullman presiding.

Mr. ULLMAN. The committee will come to order.

Mr. BYRNES. Mr. Chairman?

Mr. ULLMAN. Mr. Byrnes.

STATEMENT OF HON. JOHN W. BYRNES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. BYRNES. Before we proceed with the witnesses, I would like to make a brief statement and a request of the committee. It arises out of the testimony before this committee on May 19 by a Mr. Nelson A. Stitt on behalf of what was called the United States-Japan Trade Council, which he purported to represent. He advised the committee at that time that his organization was, and I quote, "an association of approximately 800 firms doing business in the United States and interested in promoting healthy trade between the two countries."

Since then information has come to my attention that the United States-Japan Trade Council, it would appear, is really a front for the Japanese Embassy and the Japanese Government. The organization did file a statement, as is required, with the Justice Department and it showed income to the organization of $171,992 from the Japanese Government via a circuitous route during the second half of 1969.

The only other income of this organization was $2,280 from its membership dues during that period. It would appear, therefore, that on a monetary basis, 98 percent of the testimony of the so-called United States-Japan Trade Council was in behalf of the Japanese Government and only 2 percent for the 800 firms.

Under these circumstances, it seems to me that the committee was intentionally misled as to who Mr. Stitt really was appearing for on May 19. It appears this was deceptive, and in light of this, I would ask that Mr. Stitt's testimony on that day be stricken, at least until this whole matter is thoroughly examined and straightened out.

I think this case also points out the great need for committee witnesses to identify their principals. I think the members of the committee have a right to know whom and what these witnesses represent. A failure to make such a disclosure is a disservice not only to the committee, but to the American people as well, because our hearings are

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published as public documents and are open to all for use as primary information sources.

It seems to me that we must preserve the integrity of these proceedings. Certainly I am not suggesting that the Japanese Government, if it desires to have somebody represent it before this committee to express its views, has no right to do so. But as for a witness who comes here and purports to speak for 800 businesses, and presents himself on that basis, when in truth and in fact the organization that he appears for is financed 98 percent by the Japanese Embassy and the Japanese Government, that is a distortion and is misleading as far as the testimony given to this committee is concerned.

If the Chair desires to do so, it is perfectly all right to hold my motion in abeyance. But I would request that the testimony given to us under these circumstances be stricken from the record, or not appear in the printed record, until we have a chance to examine thoroughly the information that has been developed.

Mr. ULLMAN. Mr. Byrnes, this is an extremely serious matter. The committee certainly is appreciative of your digging into this matter.

If the gentleman does not object, I will ask that the matter be held in abeyance and that the staff and the committee study the matter.

Mr. BYRNES. I would suggest, Mr. Chairman, that Mr. Stitt be invited to appear at some convenient time before the committee if he desires to do so, to explain this situation and respond also to any further questions that we may have with regard to this matter and to his testimony on the 19th.

Mr. ULLMAN. It is the policy of this committee to schedule organizations incorporated in the United States as witnesses. So, without objection then, this matter will be held in abeyance and a study made by the staff and the members of the committee.

[Mr. Nelson Stitt subsequently appeared before the committee at a later time on this same day, June 11. For these proceedings, see part 4, page 1126, on May 19, following Mr. Stitts' originally scheduled appearance. These proceedings have been moved to that portion of the printed hearings in accordance with a unanimous consent agreement.]

Mr. ULLMAN. Our first witness today is a very distinguished colleague, the Chairman of the Armed Services Committee, the gentleman from South Carolina, my good friend, the Honorable L. Mendel Rivers.

We are very happy to have you before the committee this morning.

STATEMENT OF HON. L. MENDEL RIVERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. RIVERS. Thank you very much, Mr. Chairman.

As I said to this great committee last year, I know that you know more about this kind of stuff than I do, but I represent a lot of people, just like you do, over 600,000, and whenever their economic interests are involved I am going to holler just like you do when your economic interests are involved.

Now, Mr. Chairman, I came here this morning primarily in the interest of our textile industry. The textile industry is the largest industry in South Carolina. There is not too much of it in my district, but, unless our textile industry in South Carolina is healthy, South Carolina is unhealthy. This industry is vital to the survival of our economy.

Now, let me start by saying that I have not come here to lambast any nation in particular. I have just come here to say a word for this country that you and I belong to.

I consider this, and this is not a good simile but it is as good a comparison as I can make, to be the Pearl Harbor of our textile industry. At this time, however, there appears to be no possibility that our sunken hulks, the textile industry in my own case, being torpedoed by the competition from Japan will ever be refloated unless you do something about it now.

Now, we have had promises on aid from every administration. The promises have been so wonderful that we have grown lean on them.

Japan today is engaged in a deadly competition with us. She is, like England in the 17th century, practicing a new mercantilism that has the same effect on us that it did at that time. At stake is the very life of this country as an industrial nation.

What I am saying today applies to textiles. You are the very next on the list, Mr. Betts, your steel mills in Ohio, as sure as you are a foot high.

Now, how long can we gorge ourselves on cheap imports while we starve our own industries of their very substance?

Let me say this: Do not let anybody kid you that these Japanese goods are not good quality. Take the electronics, take those automobiles, take these ships, take the steel that is coming in. That is not second class. They work long hours. They produce good stuff. The only way you are going to protect your country is by law, law enacted by this Congress. Don't leave it to the State Department.

I, for one, cannot believe that all these signs hanging around your necks and mine don't mean something to us. We are going out of business, and fast. The Mills bill is the only thing that is going to save us, the Mills-Rivers bill, if you please, and it is a good bill. I want to say this, Mr. Chairman, it is in that order, too.

This bill applies the law to anybody who has not agreed to limit his exports to this country. Let us set the law and the quotas. We have much more at stake than does someone who is on the Federal payroll down in the State Department who looks up so much he can't see the ground on which he walks.

Now, our textile and apparel industries are among our oldest, from the hand looms of the colonial times to the giant mills and the factories of today.

I worked in a textile mill. I know something about them. They have automatic looms today; one man can watch 30 or 40 of them. We have the most automated industry on earth, trying our best to survive.

If anybody knows something about the textile industry, it is Mendel Rivers, because I worked in them. I don't know what contribution I made but I worked 11 hours a day. I understand they don't work that long these days.

The workers in these plants are fine people. They have a fine life to live. Their wages are good. Our workers in America have the highest standard of living of any workers on earth, and you know it. Get out on the highway any weekend and see how many of our employees are out with their trailers on the back and motorcycles on the back of the trailer headed for the mountains of South Carolina, often with the trailers carrying boats.

They go out to get recreation starting Friday evening, your American workers. All they want is a chance to survive. I want to save them. God bless them.

You, Mr. Schneebeli, are the one who can help them survive because you and I together have to put some law on the books. Do not take the word of the people downtown. I don't care who the administration is.

Now, the workers in these plants have taken care of us in wartime. They have worked long hours. Roosevelt called them the arsenal of democracy. Now it is our turn to take care of them and this kind of competition. They have kept the faith with this country when other people have not in other lands.

We have a lot of allies but sometimes I think they are dependents. They give us lipservice. How many came to our aid in Korea? How many came to our aid in Vietnam?

Now our industry is all we have left, the free enterprise system, as I understand it.

Now, we have tried our darndest to solve this thing through international negotiations time and time again. Mr. Mills is the only Member in this room today who has been in this Congress longer than I have. He has seen the negotiations. He knows what he is doing when he puts this bill in the hopper. He has seen the diplomatic course tried. And it has not worked. We have met with negative replies time and time again.

Now Japan leads the world in textile exports, while our industry continues to go down. In South Carolina this year already we have closed a dozen textile mills. Unless our industry is to go the way of the passenger pigeon we must take action now; otherwise we might just as well—listen to this—we may just as well make it mandatory that our children take a course in Japanese so that they can get a job in Japan when you and I are gone, so that they can eat. There won't be any American industry.

Now, I cannot speak for all the States represented by you distinguished gentlemen. You know what you have and you know how you are affected. But I can speak for my country. If we do not act to preserve this industry, many places will suffer depression, and you haven't seen anything yet. There are members of this committee who know what happens when an industry or an important installation leaves his district. I do not need to tell you.

Today it is textiles; tomorrow what is it going to be? Will it be Jim Burke's shoes? I suspect that he feels his shoe industry disappearing from New England. Ten years from now, every suit you wear could well be made in Japan. Five years from now, every shirt might well be a Japanese import.

It may be that you have seen the last American-made towel or American-made washcloth. Let me show you what I am talking about.

The other day, Mr. Chairman, one of our textile manufacturers showed me a printed towel he had just gotten out of his mill and put on the market in New York, just gotten it out. But then in a short time, the identical thing came from a Japanese mill or some mill in

Hong Kong, the identical towel, only that the dimensions were just a little shorter.

Of course, to the unknowing layman public, they thought they were getting the same thing. It was identical. This is what happens. And it is quality merchandise.

Now, after the Japanese have successfully put the American textile industry out of business, they will turn to rugs, building materials; you name it. Already they are No. 2 in the world in automobiles. Look on the street and see how many Toyotas and Datsuns you see. And they are quality, not junk. They have replaced Germany as No. 2 in the automobile business.

Now, are we going to continue to bury our head in the sand? Let us do it knowing these things. It may well be in the next few years the largest single industry in the United States will be gone and the people on this committee from Michigan had better remember that.

And they may come here pleading to save the automobile industry.

You know who ought to be sitting where I am this morning or following me? The head of the UAW. Brother, he is next on the list. Don't let anybody kid you.

Now, we are not asking you to give us preference in my part of the world. All I am asking you is the simple route to survive for my people.

Now, I am in the military business. I know what we do in the military. We have to have four-ply muslin cotton for our military forces in Vietnam. I had one textile man go to DOD—and you can't buy this; they don't make it—he offered to put up a mill for the Department of Defense at no cost. And all the four-ply muslin cloth they make for the cotton goods these boys wear in jungles is essentially made by your textile industry.

They are making a contribution to the war effort. This industry is loaded with patriotism. They should not get the treatment that they are getting. Don't you think just because it is happening to the textile industry that it won't happen to the automobile industry and the rest of the industries in this country.

Now, the wage differential in Japan and these other places is well-known. As I said, I am proud that we have the highest standard of living, but it must be considered that our competitors are able to engage in practices that are prohibited to this nation by law. The minimum wage, the antimonopoly, the antitrust laws, and a number of things of this character that they don't have in their countries. We are just not matched equally. Then when you give them the right to come over here and load our markets, our firms can't compete.

I am not using Japan as a whipping boy. I went down to the White House, I think with the chairman, some time ago, when the President announced the return of Okinawa to Japan. I got the impression that—I can't quote the President; he quotes himself; he has enough troubles without my misquoting him; I want to help him—but I got the impression then that he had some kind of understanding on some of this competition.

But, whether he has or not, my business is in the Congress and so is your and the greatest business you can have, Mr. Chairman, this morning, is to address yourselves to the salvation of these basic industries.

Now, I think Secretary Stans has done a fine job, Mr. Chairman, but I do not think that he can get by some of the deeply entrenched crowd in other parts of this Government.

Take the electronics business. If we depend on Japan for electronics, and they are good, where are you going to get your spare parts in time of trouble? We only export about three things in this country that we get currency balance on. Did you know this? One of them is computers, another is airplanes, and the third is agricultural products. Most of the other stuff we don't make any money on.

We make money on airplanes and, Mr. Pettis, you are a licensed pilot; you know what I am talking about. When you sell a 707 or 747 to Great Britain, you sell spare parts and they have to come back and get them. If they want anybody over there you send somebody; you get the Americans over there; you get the American policy to these people.

Just like South America. If we sell them our fighters against the French Mirages, we send them our technicians and we implement our diplomacy. It is the same way with Japan. Now, if we depend on them for so many things, our industry is gone. We will have to go there to get them.

Mr. Chairman, I won't take any more of your time. I am just warming over the coffee you have been drinking up here for a number of weeks. I am just telling you I know a little something about what I am talking about.

Yours is the most realistic approach I have seen. I am honored that you let me be one of the co-authors to be right along with your magnificent train, just to be in your wake helps me where I come from. I am glad to be in this country.

I know this, Mr. Chairman, if I read you, you are going to do something about this. I just want to let you know that I come here with this in mind.

This distinguished committee, I want to thank you. You have been much kinder to me than I deserve and I want to thank you.

The CHAIRMAN. Mr. Rivers, I want to congratulate you for making this very fine statement, taking time from your very busy schedule to share your thoughts with us. We appreciate your doing it very much. You have been very helpful to us.

Any questions?

Mr. GILBERT. Mr. Chairman.

The CHAIRMAN. Mr. Gilbert.

Mr. GILBERT. I would like to compliment the distinguished chairman of the Armed Services Committee for the contribution he has made here this morning.

You mentioned that the United Auto Workers Union should come out and support this. You might know some of our great labor leaders are in support of this legislation.

Mr. RIVERS. Of course, they are.

Mr. GILBERT. And particularly in the garment and textile industries, they are all four-square behind the position that you have just espoused here.

Mr. RIVERS. You take the garment industry, it came from New York, look at the contribution they made, look what Dubinsky did for the working people of this country. We can't see these people sink; they have a right to be protected in your great city of New York and great State of New York. You know what I am talking about. The automobile industry is next. This is vital legislation.

Mr. GILBERT. It certainly is.

Mr. RIVERS. Japan is going to rule Asia; we can't stop that. We at least can save this country.

Mr. GILBERT. Thank you.

The CHAIRMAN. Are there any further questions?

If not, we thank you again, Mr. Rivers, for coming to the committee.

Mr. RIVERS. Thank you very much.

The CHAIRMAN. Our next witness is our colleague from Illinois, Mr. Pucinski.

STATEMENT OF HON. ROMAN C. PUCINSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. PUCINSKI. Thank you, Mr. Chairman, for allowing me to appear before your committee this morning.

I appear before you today to urge favorable action on H.R. 16920, for I firmly believe that prompt action is imperative with respect to the import problems of the apparel-textile-shoe industries which are covered by this proposed legislation.

It is because of this that I felt it my duty to join in co-sponsoring this bill.

I was guided in my decision—as I earnestly hope you will be in yours—by several incontrovertible facts.

It is a fact that, with respect to the covered industries, the degree of penetration of domestic markets by imports from low-wage countries has been increasing both steadily and substantially. At the outset of the 1960's, for example, the value of apparel imports amounted to well under 10 percent of the value of domestic production. The estimate for last year is in excess of 22 percent.

It is a fact that these imports are produced under substandard conditions—but with a technology that generally matches that which is available to United States producers. As a result, the competitive advantage that is enjoyed by foreign manufacturers stems mainly from the pitifully low wages they pay.

Average hourly earnings in the apparel industry in the United States, for instance, were $2.31 in 1969. Except for Canada, where the corresponding figure was $1.75, in no other country with which we do any amount of trading did workers in this industry receive as much as $1 per hour. In Japan, for example, apparel workers averaged 40 cents per hour in 1969, while in Hong Kong the figure was about 25 cents.

This is exactly the kind of situation that Congress felt represented "an unfair method of competition" and prompted the adoption of the Fair Labor Standards Act—to prohibit such competition. It is illogical to give foreign producers an advantage that the act has denied to domestic producers.

It is yet another fact that this unfair competition has been destroying job and income opportunities for American workers. And the type of workers most affected are those who generally have fewer job options, such as women, workers without advanced skills, and minorities.

For example, women hold fewer than 30 percent of the jobs in all manufacturing combined, but in apparel they comprise 80 percent of the work force, and in textiles more than 45 percent.

Moreover, about 45 percent of the workers in all manufacturing are classified as semiskilled, but in textile the figure is 70 percent and in apparel 80 percent.

With respect to employment of minorities, data from the Equal Employment Opportunity Commission has disclosed that over 18 percent of those employed in the apparel industry in the Chicago area are Negroes and an additional 9 percent have Spanish surnames.

Given these facts, I find it impossible to view with equanimity the prospect of further job destruction caused by the unfair competition of imports from low-wage countries. In the last year alone, data provided by the Illinois Department of Labor disclose how serious the erosion of jobs has been in the Chicago area.

Between March 1969 and March 1970, employment in manufacturing in the Chicago SMSA declined by about 9,000, while in the nondurable goods sector it remained stable. However, in apparel, which is a part of the nondurable sector, employment was off by 1,400—or from 25,700 in March of 1969 to 24,300 in March of 1970.

In textile and shoe manufacturing, which are also part of the nondurable goods sector but which provide fewer jobs in the Chicago area than does apparel, employment was also down—from 2,200 to 2,000 in leather footwear, and from 3,300 to 3,000 in textiles.

These are but a few of the facts that clearly establish the adverse impact from imports that guided me in my decision to cosponsor 16920.

I would make one other point.

H.R. 16920 is not a protectionist device. It would, in fact, permit foreign nations to share in whatever growth this country experiences in the consumption of products covered by the bill.

H.R. 16920 is an instrument to promote orderly marketing arrangements and, as such, will serve the interests of those concerned with the need to expand world trade.

The CHAIRMAN. Thank you, Mr. Pucinski, for coming before this committee and giving us the benefit of your views.

Are there any questions?

If not, again we thank you.

Mr. PUCINSKI. Thank you, Mr. Chairman.

(The following statement was received for the record:)

STATEMENT OF HON. JOHN L. MCMILLAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. Chairman and members of the House Ways and Means Committee, I want to join my colleagues from South Carolina and Chairman Mills in supporting the textile import quota bill now being considered by your committee. During the past 10 years I have introduced several bills for this purpose, however, we have always been persuaded to give the executive department an opportunity to adjust this problem without legislation. I believe the executive department has exhausted its efforts to curb textile imports from cheap labor countries and this leaves the problem squarely on the shoulders of the Members of Congress.

I want to reiterate the words expressed by the South Carolina Lieutenant Governor and the other Members of the South Carolina congressional delegation in support of this bill. I will not try to clutter up the hearing record by duplicating these statements as we have a solid front in support of this legislation which will, in my opinion, save the jobs of thousands of textile workers in South Carolina alone.

The CHAIRMAN. Our next witness is Mr. Eugene Stewart.

Please come forward, if you will.

Although we know you quite well, if you will identify yourself for the record, we will be glad to recognize you.

STATEMENT OF EUGENE L. STEWART, GENERAL COUNSEL, TRADE RELATIONS COUNCIL OF THE UNITED STATES, INC.; ACCOMPANIED BY JAMES M. ASHLEY, COCHAIRMAN, BOARD OF TRUSTEES; AND RICHARD C. ROSE, PRESIDENT

Mr. STEWART. Thank you, Mr. Chairman.

I am Eugene L. Stewart, general counsel of the Trade Relations Council.

I am accompanied this morning by James M. Ashley of Libbey-Owens-Ford, cochairman of the board of trustees of the Council, and Richard C. Rose of Allegheny-Ludlum Industries, president of the Trade Relations Council.

In addition, at this table are members of the board of trustees of the council. The board of trustees has fully considered the statement we shall present this morning and has approved it.

We would like to proceed, Mr. Chairman.

The CHAIRMAN. We are glad to have you all with us.

Mr. STEWART. Mr. Chairman, I have a prepared statement. I shall not read it at length. I shall give the highlights of it.

The Trade Relations Council represents manufacturing corporations and trade associations. We have 72 members. Their names will be submitted for the record.

(The information referred to follows:)

MEMBERSHIP ROSTER OF THE TRADE RELATIONS COUNCIL

Company	Address	Official
Acme Shear Co	1380, Bridgeport, Conn. 06609	Henry C. Wheeler, president.
Albany Felt Co	Albany, N. Y. 12204	Wayne F. Fry, senior market analyst.
Allegheny-Ludlum Steel Corp	Oliver Building, Pittsburgh, Pa. 15222	Richard C. Rose, secretary.
Alliance Manufacturing Co	Alliance, Ohio 44601	John Bentia, president.
Amalgamated Sugar Corp	801 First Security Bank Building, Ogden, Utah 84401.	A. E. Benning, president.
American Fine China Guild	P.O. Box 229, Nyack, N.Y	Lynne A. Warren, secretary.
American Hardboard Association	100 W. Cold Spring Lane, Baltimore, Md. 21210.	Donald Linville, consultant.
American Aniline Products, Inc	Box 3963, Paterson, N.J. 07509	A. L. Phillips, president.
American Olean Tile Co	1000 Cannon Ave., Lansdale, Pa. 19446	William M. North, president.
American Pipe Fittings Association.	60 East 42d St., New York, N.Y. 10017	Ray H. Goodridge, secretary-treasurer.
Antifriction Bearing Manufacturers Association.	do	James J. Whitsett, secretary-general manager.
Atkins & Pearce Manufacturing Co.	537 East Pearl St., Cincinnati, Ohio 45202	Asa I. Atkins, president.
Banner Mining Co	Tucson, Ariz. 85703	A. B. Bowman, vice president.
Bauscn & Lomb, Inc	Rochester, N.Y. 14605	Joseph W. Taylor, secretary-treasurer.
Bicycle Institute of America	122 East 42d St., New York, N.Y. 10017	John Auerbach, executive secretary.
Burlington Industries, Inc	Burlington House, 1345 Avenue of the Americas, New York, N.Y. 10019.	Robert P. Lynn, vice president, legal department.
Carlisle Tire & Rubber Division, Carlisle Corp.	P.O. Box 99, Carlisle, Pa. 17013	C. J. Warrell, president and general manager.
Carpenter Technology Corp	101 West Bern St., Reading, Pa. 19603	John Moxon, president.
Cayuga Rock Salt Co	Myers, N.Y. 14866	William B. Wilkinson, vice president.
Coats & Clark, Inc	430 Park Ave., New York, N.Y. 10022	W. A. Waller, secretary.
Columbia Tool Steel Co	Lincoln Highway and State St., Chicago Heights, Ill. 60411.	Adolph J. Scheid, president.
Committee of Tool Steel Producers, American Iron & Steel Institute.	120 East 42d St., New York, N.Y. 10017	L. F. Granger.
Copper & Brass Fabricators Council, Inc.	225 Park Ave., New York, N.Y	V. E. Veltfort, managing director.

MEMBERSHIP ROSTER OF THE TRADE RELATIONS COUNCIL—Continued

Company	Address	Official
Crompton & Knowles Corp	93 Grand St., Worcester, Mass. 01610	James Barringer, executive vice president.
Crompton Co., Inc	1071 Avenue of the Americas, New York, N.Y. 10018.	Howard Richmond, president.
Cycle Parts and Accessories Association.	% Troxel Manufacturing Co., Moscow, Tenn. 38057.	R. A. Faulhaber, president.
Day Mines, Inc	Day Building, Wallace, Idaho 83873	Henry L. Day, president.
Draper Bros. Co	28 Draper Lane, Canton, Mass. 02021	John H. Draper, Jr., president.
Dundee Mills, Inc	Griffin, Ga. 30223	J. M. Cheatham, president.
Ensign-Bickford Co	Hopmeadow St. ,Simsbury, Conn. 06070	John E. Ellsworth, president.
Fostoria Glass Co	1200 1st St., Moundsville, W. Va. 26041	David B. Dalzell, president.
Fourco Glass Co	P. O. Box 991, Clarksburg, W. Va. 26302	O. D. Linder, secretary-treasurer.
Fourdrinier Wire Council	1012 14th St., NW., Washington, D.C. 20005	John Ferry, secretary-treasurer.
Glass Crafts of America	816 Empire Building, Pittsburgh, Pa. 15222	J. Raymond Price, executive secretary.
A. F. Gallun & Sons Corp	1818 North Water St., Milwaukee, Wis	Edwin A. Gallun, chairman of the board.
The Hall China Co	East Liverpool, Ohio 43920	John T. Hall, president.
Hardwood Plywood Manufacturer's Association.	2310 South Walter Reed Dr., Arlington, Va. 22206.	Clark E. McDonald, managing director.
Harnischfeger Corp	4400 W. National Ave., Milwaukee, Wisc. 53214.	Walter Harnischfeger Chairman of the Board.
Hastings & Co., Inc	2314 Market St., Philadelphia, Pa. 19103	Henry R. Robb, Jr., president.
Industrial Fasteners Institute	1505 East Ohio Building, Cleveland, Ohio 44114.	Frank Masterson, president.
International Silver Co	500 South Broad St., Meriden, Conn. 06450	Stuart C. Hemingway, executive vice president.
James R. Kendrick & Co., Inc	419 Park Ave. S., New York, N. Y. 10016	Warren R. Kendrick, secretary.
The Lamson & Sessions Co	700 Terminal Tower, Cleveland, Ohio 44113	R. A. Gatz, vice president, corporate secretary.
Latrobe Steel Co	P. O. Box 31, Latrobe, Pa. 15650	Marcus W. Saxman III, president.
Homer Laughlin China Co	Newell, W. Va. 26050	J. M. Wells, Jr,. executive vice president and secretary.
Libbey-Owens-Ford Co	811 Madison Ave., Toledo, Ohio 43624	James M. ~~Ashley~~, vice president.
Lead Pencil Manufacturer's Association.	60 East 42d St., New York, N. Y. 10017	Carl W. Priesing, executive vice president.
Ludlow Corporation	145 Rosemary St., Neeham Heights, Mass. 02194.	J. C. Mahoney, vice president.
Magee Carpet Co	West 5th St., Bloomsburg, Pa. 17815	James G. Law, president.
Marriner & Co	600 Broadway, Lawrence, Mass. 01841	Kenneth W. Marriner, president.
Otto B. May, Inc	52 Amsterdam St., Newark, N.J. 07105	Dr. Ernest H. May, president.
Metal Cookware Manufacturers Association.	P.O. Box D, Fontana, Wis. 53120	Kenneth H. Johnston secretary.
Mohasco Industries	57 Lyon St., Amsterdam, N.Y. 12010	William J. Kennedy, secretary.
National Association of Wool Manufacturers.	386 Park Ave. S., New York, N.Y. 10016	Jack A. Crowder, president.
National Cherry Growers & Industries Foundation, Inc.	302 North 29th St., Corvallis, Oregon 97330	Ernest H. Wiegand, executive secretary.
National Footwear Manufacturers Association, Inc.	342 Madison Ave., New York, N.Y. 10017	Mark E. Richardson, president.
National-Standard Co	8th and Howard St., Niles, Mich. 49120	James A. Mogle, vice president.
Northern Textile Association	211 Congress St., Boston, Mass. 02110	William F. Sullivan, president.
Optical Manufacturers Association	30 East 42d St., New York, N.Y. 10017	Charles R. Oddy, secretary-treasurer.
Owens-Illinois, Inc., Consumer and Technical Products Division.	P.O. Box 1035, Toledo, Ohio 34601	F. D. Pinotti, vice president.
Phelps Dodge Corp	300 Park Ave., New York, N.Y. 11022	John E. Masten, vice president and secretary.
PPG Industries:	1 Gateway Center, Pittsburgh, Pa. 15222	George P. Cheney, Jr., counsel, government and public affair.
Republic Steel Corp	P.O. Box 6778, Cleveland, Ohio 44101	C. J. Kraven, director of government relations.
Rockwell Manufacturing Co	400 North Lexington Ave., Pittsburgh, Pa. 15288.	Col. Willard F. Rockwell, chairman of the board.
Rubber Manufacturers Association, Inc.	444 Madison Ave., New York, N.Y. 10022	C. P. McFadden, chairman, footwear division.
Do	do	William C. Campbell, Industrial Rubber division.
Schiffli Lace & Embroidery Manufacturers Association.	513 23d St., Union City, N.J. 07087	I. Leonard Seiler, executive director.
Service Tools Institute	331 Madison Ave., New York, N.Y. 10017	George P. Byrne, Jr., secretary.
Singer, Frederick G	Chevannes, Greenville, Del. 19807	
Sprague Electric Co	87 Marshall St., North Adams, Mass. 01247	Robert C. Sprague, chairman and chief executive officer.
J. P. Stevens & Co., Inc	1460 Broadway, New York, N.Y. 10036	James R. Franklin, assistant to the president.
Syracuse China Corp	Syracuse, N.Y., 13204	R. C. Cobuorn, vice president.
Teledyne, Inc	1901 Avenue of the Stars, Los Angeles, Calif. 90067.	Robert S. Bell, assistant to the president.
Timken Roller Bearing Co	1835 Deuber Ave. SW., Canton, Ohio 44706	G. L. Deal, vice president, finance.
The Torrington Co	59 Field St., Torrington, Conn. 06790	E. B. Thompson, vice president and secretary.
United States Potters' Association	Box 63, East Liverpool, Ohio	Miss Dena E Powell, acting secretary.
Viking Glass Co	New Martinsville, W. Va	C. T. Swartling, president.

Mr. STEWART. They cover most sections of American manufacturing industry. The council has for the past 6 years made a serious effort to study the facts of our foreign trade policy. We have created at our own expense a computer data bank containing all Government statistics on employment, output and foreign trade of manufacturing industries.

We attempt to combine a study of the facts with an accurate knowledge of how our foreign trade remedies are administered.

We come to you this morning with broad recommendations for reform of our Nation's foreign trade procedures, on behalf of the Nation's manufacturing industries generally. We are not pleading the case of any particular industry but manufacturing industries generally in the United States.

The committee has performed a helpful service by printing the testimony of the administration witnesses and the materials which they submitted at your request for the record. On behalf of industry, we thank you for this. Some of the material submitted at your request is extremely valuable and I shall refer to several portions of it.

I have studied the prepared statements of the administration witnesses and I find it very discouraging that there is such little evidence in their prepared testimony of some of the basic problems that exist in our foreign trade policy.

Our trade machinery and policies have been totally ineffective to advance the interests of our export industries and totally ineffective to limit the imports which are increasing at a rapid rate.

If you will turn to page 2 of my statement, there is a chart prepared by Assistant Secretary of Commerce Davis, which shows our U.S. trade surplus, as it is entitled. This chart, however, needs to be corrected and it is very simple.

It overstates exports by $2 billion a year because it does not exclude the Government-financed exports and it understates imports by $2 billion a year because it does not take them at the CIF value.

If you would take a pencil and just draw a line where you see the "4" at the left-hand side, straight across the page, you will then get a true picture of what our U.S. commercial trade balance is, and it is not a surplus; it is a significant deficit.

Originally, the trade agreement legislation was structured to the very sound idea that by negotiation we would gain access for our exports to markets abroad by giving comparable access to the exports of other countries to the U.S. market. It was to be a reciprocal program. And it was a reciprocal program prior to Warld War II.

When the GATT was drawn up, and the architects were the people in our State Department, in 1945 and adopted in 1947, they were concerned with using a massive reduction of tariffs as a form of economic foreign aid. You all remember the slogans, "Trade not Aid" and "Close the Dollar Gap" to help the reconstructed industries of Western Europe and of Japan.

Our trade agreement negotiations under the GATT were essentially unilateral so far as their results were concerned during the 1950's and the late 1940's. In 1956, we did the extraordinary thing, extraordinary in its generosity, by reducing our tariffs in concessions granted to Europe for the benefit of Japan.

Our Government granted concessions on our tariffs to Western

Europe in exchange for a promise by Western Europe to open up its markets to the products of Japan. This promise was not realized. Instead, the countries of Western Europe attached reservations to the admission of Japan to GATT in the middle 1950's and they have steadily applied that reservation by imposing quotas on imports from Japan.

In the Kennedy round, the negotiating plan originally was that concessions on U.S. industrial products would be offered in exchange for concessions by the Common Market particularly on agricultural products from the United States.

The negotiating technique was that each country put on the table not the articles it was willing to reduce but the articles that it would not subject to reductions and everything not mentioned would be subject to a 50 percent cut in duty.

Our negotiators were led down the garden path by this technique. Our modest exceptions list was on the table. At the end of the negotiations, the Common Market did not grant any significant modifications in their variable import levy plan on agricultural imports and our negotiators instead of getting up and walking away from the table signed the agreement, so that we made very major reductions in our industrial tariffs and got precious little for the benefits of our agricultural exports.

So far as our industrial products are concerned, the day that the tariff, the Kennedy round agreement was to go into effect, the Common Market announced that it would harmonize its border taxes. The result was that for the major markets for U.S. exports an increase in the border tax rate erased the benefit of those tariff concessions that were granted on industrial products that might have helped U.S. exports.

We thus came out of the Kennedy round having used up a great deal of our currency for bargaining, that is, our tariff levels, without gaining any significant advantages for our exports but opening wide the market of the United States for imported products.

The Trade Relations Council in its data bank calculated that in 1966 the products of manufacturing industries represented a net loss of 160,000 jobs when you count the jobs created by exports and loss of jobs represented by directly competitive imports.

Up until this time, the Government, itself, has not made such a study but I am complimenting you, Mr. Chairman, and the committee on the fact that in the materials that you have printed which you requested from the administration, and I compliment the administration for making this study, there is an analysis by the Bureau of Labor Statistics of both the employment content of our exports and our imports for the years 1966 and 1969.

As to manufactures, Mr. Chairman, the Government study shows that we had a modest net surplus of jobs created in 1966, something in the order of about 79,000 jobs, but in 1969, according to their figures, we had a 168,000 job deficit. That is to say, the job content of the directly competitive manufactured imports was nearly 168,000 greater than the job content of the exports from this country. A moment's reflection will tell you that this must be the case.

Even the advocates of free trade identify our export potential in those sophisticated products made by automated methods which have very low labor content whereas our imports consist of labor-incentive products which displace more labor per dollar's worth of imports than we create by our exports.

The Bureau of Labor Statistics that made this study that is in your committee print used the imports at the foreign value which understate their value in the American market and their displacement effect on American jobs by 20 percent.

When that adjustment of 20 percent is made, it will be seen that the net job displacement in the year 1969 of our foreign trade balance in manufactures was a half million jobs. And what is the significance of that, a half million jobs? It is enough to reduce the unemployment rate in manufacturing industries from the present 5 percent down to about 3 percent.

And we are experiencing this increase in unemployment at the expense of countries like Japan whose unemployment rate is less than 1 percent.

In my prepared testimony, I have presented the economic data pertinent to a consideration of the situation of 10 basic industries. In order to demonstrate how persuasive is this imbalance in our trade, the 10 industries are steel, textiles, footwear, electronic products, automobiles, ceramic tiles, flat glass, textile machinery, bicycles, and hardwood plywood.

Mr. Chairman, in 1969 those 10 industries experienced a net balance of trade deficit in their products of $6,200 million. Those industries in the aggregate through the first quarter of 1970 have sustained an absolute loss of 303,100 jobs. It is not the case, as administration witnesses represented in their testimony, that the disappearance of our trade surplus and our trade problems may be attributed to temporary factors such as inflation, the overheating of the U.S. economy, and the like. Their efforts to assign our present dilemma to temporary factors that would go away is inaccurate.

The reality is that we have reduced our tariffs so low and the competitive advantage of countries whose industries have the same technology, and workers that are as highly motivated as ours, is so great that this situation will continue to grow worse.

We identify as a result of our study of the situation of American industries, six issues which I set forth commencing at page 22 of my statement. At the bottom, first it is clear to us that the selective exchange—page 22 at the bottom—the selective exchange of well-defined market opportunities in the United States and foreign countries which was the essence of Cordell Hull's reciprocal trade agreements program has not been realized.

Our trade agreement program in fact has been a failure by not being faithful to that important concept.

Second. Because the trade agreement authority conferred on the President—and this applies to all the Presidents that have used the authority in the postwar era—was used as a species of foreign economic aid rather than as a commercial instrument to benefit our industries in equal measure with the benefit given foreign industries, the U.S. share of world exports of manufactures has declined, while the foreign industries' share of U.S. consumption of manufactured articles has increased, and increased by double in the last 6 years.

Third. With the currency for bargaining reciprocal trade advantage on behalf of the United States substantially wasted or dissipated by the kind of unilateral tariff negotiations we have conducted in the past and especially in the Kennedy round, we are now in a difficult position to protect our commercial interests in the seventies because there is little left in the way of bargaining power. Unless we put all of our manufactured products on the free list the duty rates are so low following the Kennedy round that there is not much left to put on the table as currency for bargaining.

Fourth. The syndrome that the United States has a duty to exercise leadership by always going first and the syndrome that our export industries are invincible to competition from like industries around the world which have dominated the judgment of our trade negotiators throughout the postwar era is now contrary to the facts of international commercial life. The sooner that concept of the use of our trade agreements authority is outlawed the sooner we will begin to get down to cases in straightening out our foreign trade position and its problems.

Fifth. Contrary to the philosophy of the foreign-aid-oriented trade agreement negotiating experts of the past two decades, many of whom, Mr. Chairman, are still occupying key positions in the administration's foreign trade apparatus, the realities of international commercial life are that the U.S. industry does not possess any signficant technological advantage translatable into competitive cost advantages in comparison with its foreign counterparts.

What is the outlook for the seventies? As we see it, the outlook is that technologically dynamic, large-scale manufacturing enterprises located in foreign countries, many substantially financed and enriched by technological know-how by U.S. corporations, will reap the economic advantage of the cost bias of the lower standard of living of foreign countries and dominate world trade in manufactured products.

This dominance will extend to the progressive diminution of U.S. share of world trade in manufactured products and the continued and more rapid invasion of the U.S. markets by foreign industries. This process is already well-advanced and it will certainly continue.

Sixth. There has been no coherent and consistent policy for the support of domestic manufacturing industries in this kind of contest comparable to the close liaison and effective support which Japan and the developed nations of Europe give their industries in competing for export markets.

The efficient, comprehensive, and realistic way that the Japanese Government subsidizes research and development and the expansion of plant capacity, and its limitation of imports of competitive products, is really an example of what a government can do to apply the forced draft to the expansion of her industries and increase her position in world trade.

While Japan and the countries of Europe are subsidizing their industries, what has our Government done? It has compensated the measures taken by foreign governments in behalf of the foreign industries by major reductions in our import duties to make our domestic market even more available to the products of those industries.

We present our recommendations beginning on page 25. These recommendations, Mr. Chairman, and members of the committee, we believe to be politically realistic within the framework of the world of what is possible. If adopted, we think they will make possible a major turnaround in these trends that we have talked about, so that American industries can remain alive.

First, as to the trade agreement negotiating procedure, at the bottom of page 25. One of the fundamental defects in the past has been that the people who in fact make the policy decisions as to what will be negotiated and how it will be negotiated are not the persons who hear the representatives of domestic industry who come to present their case. With some limited exceptions, the hearing is conducted by an interagency panel of middle-level civil servants who are not policymakers and who summarize what they hear and that summary may or may not even be considered by the policymakers.

Therefore, my first recommendation as to the trade agreement negotiating procedure is that those who make policy and those who negotiate the trade agreements also take the trouble directly to hear and listen to domestic interests in advance of the negotiations.

This committee has tried earnestly to bring about that state of affairs. You have failed. Not because your intent was not accurate and proper but because the executive branch simply has not complied with your intent.

Secondly, the U.S. Government must at long last reject the curiously ambivalent view that it has of domestic industry that forces it to hold industry representatives at arm's length throughout the course of the negotiations. We are the only major developed country in the world that does not have available to its negotiators accredited to the negotiated team industry advisers who are present during the course of the negotiations and that is a reform that is long overdue.

Second, as to the antidumping and countervailing duty remedies. We refer to these because for the long pull if realistic efforts were made to purge our foreign trade of unfair practices, many of the problems that develop and go unchecked and lead to insistent demands for quotas and other extreme actions, would never come into being. Neither the antidumping or countervailing duties remedies work. As presently administered and as they have been administered in the past 10 or 15 years, they are a snare and a delusion and wholly unsuccessful. They waste the time and effort that industries devote to the occasional attempts to invoke their provisions.

Apparently on the basis of an informal accommodation made by our Government with Japan in trade agreement negotiations in the fifties and in the sixties and implemented by an informal commitment in the Kennedy round, our Nation displays special solicitude for dumping by Japan. The result is that the people who handle antidumping investigations are insensitive to the actual commercial realities of the problem.

All doubts in dumping investigations are resolved in favor of the Japanese. Should per chance a finding of dumping slip through this process, the Treasury Department has almost uniformly in the past promptly accepted written assurances from the Japanese manufacturers not to continue the dumping.

On the basis of those assurances, the dumping investigations have been terminated. This practice has exonerated virtually all dumping by Japanese manufacturers in the past. It has provided no relief for the future. It is an abominable system. It has been strongly criticized by domestic industries.

Two weeks ago, on May 27, the Treasury Department published a revision of its procedures in regard to the discontinuance of dumping investigations. Henceforth, dumping investigations will be concluded on the basis of written assurances from foreign manufacturers only when the margin of dumping is considered minimal in relation to the total volume of sales involved.

Very significantly, in announcing the change in the policy, Assistant Secretary of the Treasury Rossides stated that the past practice, and I want to quote his exact words, "allowed foreign exporters to undercut the prices of their U.S. competition in American markets without undue concern for the possible consequences under the antidumping act."

Think about that for a minute, Mr. Chairman.

Here is an admission by the Treasury Department that the policy that they have pursued for the past two decades encouraged dumping practices by the foreign manufacturers, protected them in the doing of it and enabled them to undercut the prices of their American competitors in this market. A startling admission but an accurate one.

Domestic industries welcome this change in practice by the Treasury Department. However, in response to the Kennedy round antidumping code, the Treasury Department has changed the date from which appraisement of import entires is withheld in a dumping investigation.

Formerly under the Antidumping Act and the customs regulations the withholding of appraisment, that is, simply the action in which they stop to liquidate the import entries so that they have a chance to impose dumping duties on imports that have been found to have been dumped, formerly this withholding applied to all import entries entered during a period commencing 4 months prior to the date the dumping complaint was filed.

But when the United States signed the antidumping code, the Treasury changed its regulations and now the withholding of appraisement commences on the date when at the end of an investigation the Treasury Department publishes a notice of withholding. The nature of that change is that all of the dumping that has transpired prior to the filing of the complaint and during the period of investigation until a year or two later when a finding is made, all of that dumping is exonerated, is not subject and cannot be subject to dumping duties under this regulation by the Treasury Department.

Furthermore, under the customs practice, when the Bureau of Customs reaches a tentative conclusion that the merchandise investigated is being dumped they call in the foreign manufacturer and say in effect, "See here, we have come to the conclusion that you are dumping and we are going to publish a notice of withholding."

That gives the foreign manufacturer an opportunity to change his prices coincident with the date of the notice of withholding so that in fact none of his imports will be subject to dumping duties.

As a result of the U.S. acceptance of the Kennedy Round Antidumping Code, which was not authorized for negotiation under the Trade Expansion Act of 1962, and as a result of Treasury's change of its dumping regulations pursuant to the Code, the antidumping remedy has been converted into a shield to protect foreign manufacturers who engage in dumping rather than a sword to strike down the practice.

In my opinion, the type of change which Treasury made in the dumping regulations in response to the Kennedy Round Antidumping Code is a clear violation of the intent of title II of Public Law 90–634 which instructed the Secretary of the Treasury to take the provisions of the code into account, and now I quote directly from the law:

Only insofar as they are consistent with the Antidumping Act, 1921, as applied by the agency administering the Act.

Mr. Chairman, the Treasury Department had applied the Antidumping Act from 1921 down to 1968 in one manner. Then they change it. I believe that is a clear violation of your intent in passing that particular law.

As for the countervailing duty remedy, the Treasury Department has not had the fortitude in this or any other administration to administer the countervailing duties statute since the emergence of the practice in Europe on a widespread basis of remitting internal taxes on exports.

Under the decisions of our Supreme Court, the remission of taxes with respect to good exported is clearly a bounty or grant which should automatically be checked by the imposition of countervailing duties. The practice is so widespread that if the Treasury Department tried forthrightly to administer the statute in accordance with its intent, countervailing duties would be imposed on virtually all manufactured imports from Europe and from Japan.

The unwillingness of Treasury to face up to the scope of this task, viewed in connection with its mandatory duty under the statute, should not excuse the Department, which is, after all, concerned with our balance-of-payments deficit, from now making a beginning to act more realistically in the administration of that remedy.

Third, as to the escape clause. There comes a time in the flow of trade stimulated by tariff cuts where, quite apart from unfair practices such as dumping or subsidizing exports, the injury to the domestic industry is so manifest that some adjustment should be made in the tariff in order to smooth out the rate of increase of imports.

So, we have an escape clause and it is incorporated into GATT. Article XIX of GATT uses language that was patterned after the escape clause in use in this country prior to the Trade Expansion Act of 1962. The administration then in power, that is, in 1962, urged an amendment of the domestic escape clause which, as you know, imposed a much more severe test than in the GATT escape clause and by that very act, by imposing on our industries a much tougher test to meet than GATT would recognize as permissible, we gave away rights under GATT that we had paid for through the bargaining that preceded the negotiation of that document.

We are very good at giving away our rights, Mr. Chairman.

It is a commonplace fact that the 1962 tariff adjustment provisions will not work. The administration's bill, H.R. 14870, seems on its surface to reform those provisions but in actuality the administration's amendments would create a condition in which the burden of proof to be met by domestic industries is even heavier than that under the present impossible escape clause. Allow me to explain.

Under the present statute, a domestic injury must prove as a second burden of proof that increased imports are the major factor in causing serious injury. That means that an industry has to attempt to come up with quantitative proof showing that imports represented 51 percent or more of the causation of injury.

Now, the administration's bill would require that the domestic industry prove that increased imports have been the primary cause of serious injury. But, think for a moment. In order to demonstrate that one of a number of causes is the primary cause you have to be able to provide some quantitative measurement of all the causes, line them up in an array of magnitude and demonstrate that imports are the greatest of all of the identifiable and measured causes.

This is a much more severe and difficult method than the 1962 act and everyone agrees that that burden of proof is impossible to meet.

A preferred approach is that set forth in title II of your bill, Mr. Chairman, H.R. 16920, which provides the same standard of economic morality for industries as it does for labor unions, namely, the burden of proof to be met for relief is that increased imports have been a substantial cause of serious injury.

The GATT escape clause is consistent with this so the enactment of your bill would in no way violate, if one wished to consider that possibility, the intent and meaning of the GATT escape clause. We would be back to where we were and what we purchased under the GATT escape clause. But these are technical matters.

The major flaw in our escape clause lies in another quarter, and it is this. Congress has provided an expert body, an independent agency, which, but for the 7-year term of its commissioners, is not directly subject to guidance by the political philosophy of a particular administration.

That agency, the Tariff Commission, is therefore for the long term more likely to be a consistent finder of facts than some brance of the executive department that must respond to the policy imperatives of the President in power.

The Tariff Commission, as an expert body, by statute is required to make a two-part finding in an escape clause case. First, it must find whether imports are causing serious injury and, if so, it must find the amount of tariff increase or the imposition of quotas necessary to remedy the injury. So far, so good.

The vice of the present system is that after that expert body carefully conducts an exhaustive investigation, including public hearings, and makes its finding, the finding goes to the executive branch where it is virtually ignored. During the public hearing, the domestic industry representatives are subject to cross-examination by anybody who chooses to enter the case and this usually includes representatives of at least five foreign countries.

The apparatus for trade policy within the executive branch, however, is such that every department in its foreign trade policy side feels absolutely free to consider and find the facts afresh as though the Tariff Commission had never given the matter consideration. In doing so, they conduct ex parte conferences with all of the interested parties who are anxious to overturn the finding of the Tariff Commission.

The result is that in those few instances where the Tariff Commission has found injury from imports the Office of the Special Representative for Trade Negotiations, fronting for an interdepartmental group, has recommended to the President that he not do what the Tariff Commission found to be necessary.

The Commerce Department is believed to be the only member of the interdepartmental group which in recent years has ever voted to accept the recommendations of the Tariff Commission.

Now, by comparison, in antidumping proceedings, in those cases where the Treasury Department makes a finding of dumping and the case goes to the Tariff Commission and the Commission investigates and finds injury, that finding is self-executing under the law.

The Trade Relations Council recommends that the findings of the Tariff Commission in escape clauses also be self-executing and be implemented automatically by the Secretary of the Treasury just as in antidumping cases.

With the reform of the escape clause, there would be some possibility that adjustments could be made in the level of imports affecting major industries so that some beneficial effect could be preserved in our trade interests for domestic empolyment and for our balance of payments.

Such a reform of the escape clause would defuse the insistent demand on the part of the industries that are hurt for mandatory inport quotas.

Fourth, as to the role of the Commerce Department in foreign trade policy. The Commerce Department has an insufficient role in foreign trade policy at this juncture. Among the Cabinet agencies, it is the most expert body to weigh and evaluate the force of influences on the foreign trade of the United States. It has the strongest interest to do so; yet, it has only one voice out of eight in the legal voting apparatus of the interdepartmental group presided over by the Special Representative for Trade Negotiations. It has no chance for its views to come directly before the President as the advice of his most expert adviser on industry matters, though technically the Secretary is allowed to register a dissent from interagency decisions that he disagrees with.

We therefore recommend that there be established a foreign trade board within the executive branch under the chairmanship of the Secretary of Commerce with membership for the Secretaries of Agriculture, Interior and Labor. These are the Cabinet officers directly concerned with domestic matters and with the impact of foreign trade developments on the domestic economy.

Let that foreign trade board articulate and present directly to the President a recommendation on foreign trade policies. Then let the Secretary of State and the Office of the Special Representative present their own views separately to the President. In that way, those Cabinet officials with the constitutional responsibility for the domestic economy, namely, Commerce, Labor, Agriculture, and Interior, will have a direct channel to the President and an authoritative way of being heard.

In summary, therefore, the Trade Relations Council recommends, first, enactment of H.R. 16920 with amendments to title II to accomplish the following:

A. Make the findings of the Tariff Commission in escape clause cases final and self-executing.

B. Establish a Foreign Trade Board within the executive branch along the lines I have just described.

2. Amendment of the Antidumping Act so that the withholding of appraisment must extend to imports entered from a date 4 months prior to the date on which the complaint is filed with the Secretary.

3. Amend the countervailing duties statute to require that the Secretary of the Treasury impose countervailing duties on all imports which have received the benefit of the remission of value added or other internal taxes in the country of origin.

Thank you, Mr. Chairman, and members, for your attention.

(The formal statement follows:)

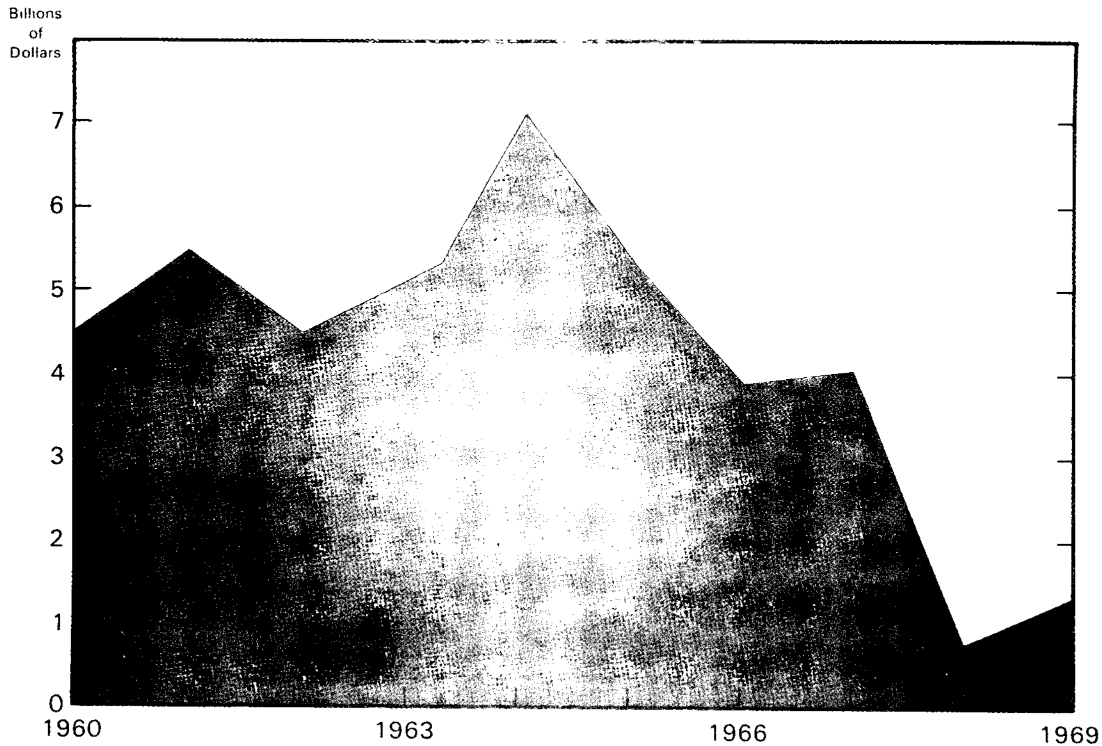
PREPARED STATEMENT OF EUGENE L. STEWART, GENERAL COUNSEL, TRADE RELATIONS COUNCIL OF THE UNITED STATES, INC.

Mr. Chairman and Members of the Committee: I am Eugene L. Stewart, General Counsel of the Trade Relations Council of the United States. That is a national organization broadly representative of our nation's manufacturing industries.

Using the Committee's print of written statements and other material submitted by Administration witnesses in these public hearings, I have carefully considered their version of the nature and cause of the current foreign trade dilemma of the United States. It is discouraging to study the considered testimony of persons responsible for the operation of our trade policy machinery and to find in their comments so little recognition of some of the fundamental defects which have produced the current debacle in our nation's foreign trade position.

It is, I think, quite clear that our trade balance is a function of both our exports and our imports. The plain fact of the matter is that our trade machinery and policies have been totally ineffective to advance our export interests, and they have permitted unchecked, wild, and rapid increases in our imports that have produced the abrupt deterioration in our trade balance depicted in the following chart prepared by Assistant Secretary of Commerce Kenneth Davis.

U.S. TRADE SURPLUS



Including exports of P.L. 480, AID, and military sales but excluding military grant-aid.

Allow me to trace for you the major developments that have placed us in this position.

The original concept of Cordell Hull's Reciprocal Trade Agreements Act enacted in 1934 was that a selective exchange of tariff concessions would be made on a bilateral basis with nations willing to open their markets for U.S. products in exchange for a commensurate widening of the U.S. market for their products.

The nations of the Atlantic community, led by the United States, developed the concept of multilateral trade agreement negotiations under the aegis of a somewhat permanent international body. These efforts culminated in the negotiation of the General Agreement on Tariffs and Trade in 1947. Under the auspices of GATT, driven by U.S. leadership, six rounds of tariff negotiations have been carried out in the post-World War II era.

The United States has had changing concepts about the immediate objectives to be attained in these trade agreement negotiations. From the late 1940s and into the decade of the 1950s, the dominant objective was "trade, not aid" and "close the dollar gap." U.S. markets were opened wide for the benefit of the reconstructed industries of Europe and Japan as a form of economic aid.

In the mid-1950s, the dominant purpose of U.S. negotiations was to open the markets of Europe for the products of Japan. The United States opened wider its markets for the products of Europe through tariff concessions in exchange for commitments by European countries to confer trade concessions upon Japan.

The intended concessions from Europe to Japan proved to be highly transitory. European nations reserved the right to impose quotas on imports from Japan to safeguard European industry and balance of payments under Article XXXV of GATT.

The decade of the 1960s was opened with the Dillon Round which focused primarily on bargaining with the Common Market. These were the last negotiations in which the peril point procedure was observed under which the Tariff Commission identified the extent, if any, to which U.S. tariffs could be reduced in the negotiations without causing injury to domestic industries. As a result of the Commission's peril point findings, U.S. concessions were quite selective.

The EEC declined to negotiate on agricultural commodities in the Dillon Round but gave assurances that the position of U.S. exports would not be detrimentally changed by the implementation of the common agricultural policy of the Common Market. These assurances have not been carried out.

The Kennedy Round has been described as a success, the finest example of the initiative of the United States in liberalizing world trade. Regrettably, instead of significantly enlarged market opportunities for U.S. exports, we find major roadblocks:

1. The variable import levies imposed by the EEC on agricultural imports.
2. The harmonization of the value added tax and the related adjustment of the border taxes imposed by Common Market countries on imports. As stated in a research report of the National Industrial Conference Board,

"the cost of entry of products moving from the United States to Europe are generally higher than the comparable cost of the same items shipped to the United States."

"For shipments to a common third country, * * * the operation of the border-tax adjustment of a country with turnover taxes will enhance its competitive position over that of the United States."

"The practical operation of the border-tax adjustment serves to increase its burden for imports."

"The combined effect of the tariff reductions arrived at through the Kennedy Round negotiations and the adoption by Germany of a value-added tax was a higher cost of entry for the shipment of American products to that country than existed prior to the adoption of these new measures. The higher rate of border adjustment * * * more than offset the lower duty rates."

3. The retention by Japan of its restrictive nontariff barriers to U.S. exports, and the development by European nations of a restrictive practice based upon standards and product certification procedures for industrial products from which the United States is excluded.
4. The proliferation of regional and preferential trading bloc areas which exclude the United States.

In short, notwithstanding twenty years of effort by the United States and the tremendous price paid by its substantially one-sided tariff concessions in the

GATT trading rounds, the world trade apparatus is in greater disarray today than at any time in our postwar history.

The original concept of the Kennedy Round negotiations included specifically the Common Market's variable import levies on agricultural products; the violation of U.S. rights under GATT implicit in the manner in which the border tax was being administered by Common Market countries in relation to U.S. exports; the separate violation of U.S. rights under GATT represented by the use by Japan and the Common Market of nontariff measures such as Japan's "administrative guidance" systems for controlling the allocation of exchange for use in purchasing imported products; the effect on the foreign trade of the United States produced by the diversion of Japanese exports resulting from the Common Market's quantitative limitations against such exports.

In fact, it was the negotiating plan to grant reductions in our industrial duties in exchange, at least, for an amelioration of the variable import levies on agricultural commodities. We filed our exceptions list on that theory; they were sparse in comparison with other countries' exceptions. The E. E. C. refused to make concessions on its variable agricultural levies; instead of walking away from the agreement, by direction our negotiators signed it.

The result is that the U.S. market was opened wider to imports of manufactured products from Japan and Europe, while U.S. agricultural interests were penalized by the failure to improve access for exports of agricultural products subject to the Common Market's variable import levies system. We are confronted with the situation in which we have less favorable access to the principal markets for our goods than prior to the Kennedy Round, while our competitors have greatly increased access for their products to the United States market. This has contributed to an average annual rate of increase of imports of 15 percent, compared with exports of only 6 percent.

The significance of this position is underscored by the major change in the competitive position of United States products in the U.S. and export markets which has resulted from the great progress made by our foreign competitors in "catching up" with our technology while retaining from the point of view of market costs the economic advantage of the lower wages inherent in their lower standards of living.

Against this background, it is difficult to place faith in the assumption which underlies the position of advocates of a "free trade" foreign economic policy for the United States. That assumption is that the increased exports of the capital-intensive, technologically oriented export industries of the United States will create more jobs for American workers than are lost under the impact of increased imports of labor-intensive products.

The Trade Relations Council's study released last year is responsive to that point. At the time that report went to press, our data bank included reasonably complete data for 313 industries. These accounted in 1966 for 64% of total employment in all U.S. manufacturing industries. They supplied 85% of the value of shipments of manufactured goods in 1966. Products like or competitive with the output of these 313 industries accounted for 99% of total U.S. imports of manufactured goods in 1966, and of 85% of U.S. exports.

Within this group of 313 industries, there were 128 which experienced a balance of trade deficit in 1967. These accounted for 25% of total employment in all manufacturing industries in 1966, and for 29% of the value of sipments. Most significantly, however, imports of articles like or competitive with the output of these 128 industries accounted for 65% of total imports of manufactured products in that year, while the exports of these industries accounted for only 12% of total U.S. exports of manufactures.

The balance of trade deficit of these industries in 1966 was equivalent, at the value of shipments per worker in these 128 industries, to a net loss of 367,552 jobs. Since the 128 industries preponderantly have comparatively high labor-intensive ratios, it may also be said that the lost job opportunities represented lost employment opportunities for comparatively unskilled workers who, in manufacturing, are chiefly employed by such industries.

The effect of foreign trade in the product categories of these 128 industries on the U.S. balance of payments was even more dramatic. Taking imports and exports at the values reported by the Department of Commerce, we had a foreign trade deficit of $9 billion in 1967 in these products.

In contrast, there is a separate group of 185 industries for which foreign trade has had the opposite effect. This group accounted in 1966 for 39% of the total employment in all manufacturing industries, and for 56% of the value of shipments. Imports of products like or competitive with the output of these industries accounted for only 34% of total imports of manufactured articles in 1967, whereas these industries supplied 73% of total U.S. exports of manufactures in that year.

Foreign trade in the product categories of these industries resulted in a foreign trade surplus of $10.4 billion in 1967. Because the 185 industries are, in general, less labor intensive than the separate group of 128 industries previously described, the job equivalent of the foreign trade surplus in the product categories of the 185 industries was equivalent in 1966 to 201,532 jobs, considerably smaller than the job loss represented by the foreign trade deficit of the 128 industries.

Since that report was published, employment and output data for that year 1967 have become available, as well as foreign trade data for the years 1968 and 1969. Our data bank will be updated with these additional statistics. As is well-known, imports of manufactures continued to increase more rapidly than exports during the years 1967 through 1969. These trends will increase the job loss in labor-intensive industries and erase the balance of trade surplus in favor of the capital-intensive manufacturing industries. We expect to release our updated study in the near future.

I have selected a group of basic manufacturing industries adversely affected by foreign trade developments in recent years and have updated the employment, output, and foreign trade data for these industries. These cases illustrate the basic fact that the United States favorable balance of trade in manufactured products, which exceeded $5 billion as the decade of the 1960s opened, has been sharply eroded by an average annual rate of growth of imports of manufactures nearly twice that of our exports. Some of our basic manufacturing industries are suffering such a serious degree of import penetration that rising unemployment and financial instalibility for many firms in these industries are the consequences.

U.S. imports of manufactures are growing at an average annual rate of 15% nearly two and one-half times that of the growth of manufactured products in the Nation's GNP at 6%. The import penetration of manufactured products has doubled during the decade of the 1960s.

When U.S. imports are valued in accordance with the practice of virtually all other developed countries, on their c.i.f. value, it will be seen that the value of imports in 1969 exceeded that of U.S. exports by $551 million. When U.S. exports under the Foreign Assistance Act and Public Law 480 are subtracted from our export statistics, the commercial trade deficit becomes $2.2 billion. So far as U.S. manufactures are concerned, therefore, the rising tide of foreign trade has not lifted all of the boats. Those of the U.S. have been left behind.

The dominant characteristic of U.S. foreign economic policy as shown by this experience is that it is underbalanced and operates unfairly on U.S. manufacturing industries by exposing them disproportionately to rising import competition while retarding them disproportionately in their access to world markets.

Allow me to illustrate the effect of this inequity by sketching briefly the situation of selected basic U.S. manufacturing industries.

THE STEEL INDUSTRY

U.S. imports of steel rose to 13.62 million tons in 1969, a 71% increase from the period 1964–1965. Total growth of imports averaged 18% per year, exceeding the average rise in imports of all manufactures. In 1969, we had an unfavorable balance of trade in steel of $843.5 million.

For the steel industry, the average ad valorem equivalent of the post-Kennedy Round U.S. tariff is 6.9%, compared to 7.2% for the EEC and 9.6% for Japan.

U.S. exports entering the EEC are subject to a border tax. When the double effect of the imposition of the duty rate to the c.i.f. value and the imposition of the border tax to the c.i.f. duty-paid value of U.S. exports is taken into account, the ad valorem equivalent of these aggregate border fees is found to be 19.4%, in comparison with the total entry fees on German steel coming into the United States of 6.9%.

In 1969, U.S. imports of steel accounted for 13.3% of U.S. consumption, up from 8.5% in the base period, 1964–1965. Under the impact of the import rise, employment in the steel industry declined from an average of 657.3 thousand workers in 1965, to 643.4 thousand in 1969, and to 636.1 thousand workers in March 1970.

THE TEXTILE INDUSTRY

U.S. imports of textile articles rose to 3.6 billion equivalent square yards in 1969, a 102% increase from the period 1964–1965. Total growth of imports averaged 26% per year, far exceeding the average rise in imports of all manufactures. In 1969, the United States had an unfavorable trade balance in textile articles of $1.3 billion.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff on textile products is 18.8%, compared to 10.6% for the EEC and 11.4% for Japan. When the double effect of the application of the duty rate to the c.i.f. value and of the application of the border tax to the c.i.f. duty-paid value of U.S. exports into the Common Market is taken into account, the ad valorem equivalent of these aggregate border fees is found to be 23.3%.

There is little point in making a similar calculation in respect to Japan because U.S. textile products are virtually excluded from importation into that country.

Imports in 1969 accounted for 10.6% of domestic consumption of textile articles, compared with 7.1% for the first years of the application of the International Cotton Textile Arrangements. Under the impact of the heightened import rise, employment in textile mills and apparel plants declined from 2,419 thousand workers in March 1969 to 2,371 thousand workers in March 1970.

THE FOOTWEAR INDUSTRY

The U.S. imports of footwear rose to 283.5 million pairs in 1969, a 72% increase from the period 1964–1965. Total growth of imports averaged 18% per year, exceeding the growth rate for imports of all manufacturers. In 1969, we had an unfavorable balance of trade in footwear of $480.6 million.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff on footwear is 11.1%, compared to 8.4% for the EEC and 10% for Japan. Exports to Japan are impracticable for the reason previously stated. When the combined effect of the use of the c.i.f. value and the imposition of border taxes to the c.i.f. duty-paid value of U.S. exports to the EEC is taken into account, the ad valorem equivalent of the EEC border charges is found to be 20.2%.

In 1969, U.S. imports of footwear accounted for 28% of U.S. consumption, up from 16.9% in the base period. Under the impact of the import rise, employment in the footwear industry declined from an average of 260.5 thousand workers during the base period to 252.5 thousand workers in 1969, and to 243.8 thousand in March 1970.

President Nixon has indicated he intends to pursue a preferential tariff system for the benefit of less-developed countries. The U.S. position paper in that matter indicated that the United States was prepared to enter into a system of tariff preferences for developing countries which would set preferential duties at zero but exclude from that preferential system textiles, shoes, petroleum, and petroleum products.

THE CONSUMER ELECTRONIC PRODUCTS AND COMPONENTS INDUSTRIES

U.S. imports of radios rose to 38.1 million sets in 1969, a 128.4% increase from the period 1964–1965. U.S. imports of TV receiving sets increased to 4.0 million sets in 1969, a 358% increase. In 1969, 49% of the radios and 77% of the TV sets imported into the United States were received from Japan. The value of imports of electronic components increased by 216% in 1969, compared with 1964–1965.

The increase in imports of radio sets averaged 32% per year, of TV sets 89% per year, of components 54% per year—all vastly in excess of the average rise in imports of all manufacturers. In 1969, we had an unfavorable balance of trade in radio and TV receiving sets and in electronic components of $741 million.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff is 7.6%, compared to 14% for the EEC and 12.4% for Japan, before any adjustment is made in the foreign rates for the fact that they are applied to the c.i.f. value and that U.S. exports to the EEC are subject to the border tax, and to Japan, to a commodity tax.

In 1969, U.S. imports of radios accounted for 73% of U.S. consumption, up from 44% in the base period. U.S. imports of TV sets in 1969 accounted for 31% of U.S. consumption, up from 8% in the base period.

Under the impact of the import rise, employment in the industry producing radio and television receiving sets fell from an average of 161.7 thousand workers in 1966 to 153.2 thousand workers in 1969. Further, as the import rise has intensified steadily through 1969, employment dropped in January 1970 to 137.7 thousand workers, compared with the peak January employment in recent years of 175.2 thousand workers in January 1967. This intensification of the recent trend in imports has also affected employment in the components industry.

In contrast to the consideration shown by the Executive Branch to the steel, textile, and footwear industries, the electronic products industry has not been the recipient of similar consideration. Its application for a partial withdrawal of past tariff concessions so as to restore the tariff level to 25% ad valorem in connection with the "open season" permitting such action in the latter half of 1969 under the provisions of Article XXVIII of GATT, was rejected by the Special Representative for Trade Negotiations.

Antidumping complaints covering TV receiving sets and the major classes of electronic components were filed in late 1967 and early 1968. In each of these cases, one or more of the Japanese manufacturers have been found at the staff level of the Bureau of Customs to have dumped electronic products exported to the United States. The Bureau of Customs accepted written assurances from the Japanese manufacturers that dumping would not be practiced in the future. Should these assurances be validated by the Treasury Department, and they have in two cases—resistors and transformers, the Japanese manufacturers will have been exonerated from long-continued dumping practices and relieved of the obligation to pay antidumping duties.

The Treasury Department seems not to understand the realities of the Japanese marketing strategy for the U.S. market. This strategy encompasses the following facts:

(*a*) Japan uses its financial resources to support expanded production on an incremental pricing basis with the objective of buying increased shares of the export market;

(*b*) This use of Japan's financial resources accepts low export prices, even below cost, as a justification for enhancing future profit margins as increased export market penetration supports ever-larger economies of scale in manufacture; and

(*c*) Japan's debt-levered pricing for exports constitutes "dumping" which is exonerated by Treasury Department practices.

The gross inequity of U.S. tariff rates compared with those of Japan and the EEC and the total ineffectiveness of existing U.S. tariffs to regulate the rate of increase of imports of consumer electronic products and components have caused the majority of the principal U.S. producers of these products to shift their production overseas to low-wage nations in an effort to compete with Japan.

These offshore operations have been facilitated by the duty-free treatment accorded "American goods returned" in the form of products assembled abroad from U.S. manufactured components. At the request of labor unions who strangely feel that the tariff policy for "American goods returned" rather than the basic tariff inequity which I have described is chiefly accountable for the transfer of production and jobs to foreign shores, the President has requested the Tariff Commission to investigate the effect of the operation of this policy. The ranking members of the Committee on Ways and Means have introduced legislation to repeal these tariff provisions.

THE AUTOMOBILE INDUSTRY

U.S. imports of automobiles rose to 1,847 thousand automobiles in 1969, a 237% increase from the period 1964–1965. Total growth of imports averaged 59% per year, far exceeding the average rise in imports of all manufactures. In 1969, we had an unfavorable balance of trade in automobiles of $2.4 billion.

As a result of trade agreement negotiations, the average ad valorem equivalent of the post-Kennedy Round U.S. tariff on automobiles is 3%, compared with 11% for the EEC and 17.5% and 30% (depending on wheel base) for Japan.

Under the 1965 United States-Canadian Automotive Products Agreement, motor vehicles and parts move across the Canadian border free of duty. Imports from Canada are expected to stabilize at about 700,000 units per year. The principal growth in imports will come from Europe and Japan.

U.S. exports of automobiles to the EEC are further inhibited by the effect of the unfair road taxes as well as the application of the tariff rate to the c.i.f. value and of the addition of a border tax based upon the c.i.f. duty-paid value. Access for U.S. automobiles to Japan is effectively denied not only by the high tariffs but also by the imposition of a commodity tax, the application of the tariff rates to the c.i.f. value, and the strict control of the use of foreign exchange through the administrative guidance system.

In 1969, U.S. imports of automobiles accounted for 13% of U.S. consumption, up from 6% in the base period. As domestically produced new car sales declined in the latter half of 1969, influenced by the antiinflation program of the Administration, automobile imports continued to rise, contributing in major part to the loss of 150,000 jobs in the transportation equipment industry in February 1970.

THE CERAMIC TILE INDUSTRY

Ceramic tile is one of the comparatively rare industrial products to be spared reductions in duty in the Kennedy Round. The ad valorem equivalent of the U.S. tariff on ceramic tile is 23.5%, in comparison with an average rate of 8% in the EEC and 5% in Japan. Notwithstanding this, U.S. imports continue to rise. U.S. imports increased to 168.6 million square feet in 1969, a 24% rise from the period 1964–1965.

In 1969, the United States had an unfavorable balance of trade of $38.1 million in ceramic tile. In that year, imports accounted for 34.3% of U.S. consumption, up from 30.7% in the base period.

In the structural clay products industry, of which the ceramic tile industry is a part, employment fell from an average of 69.5 thousand workers in 1964–1965 to 64.6 thousand workers in 1969. By April 1970, employment had declined to 59.8 thousand workers.

THE INDUSTRY PRODUCING FLAT GLASS

U.S. imports of flat glass rose to 554.7 million square feet in 1969, a 19% increase from the period 1964–1965.

Glass manufacturing is labor intensive. Tariff concessions granted by the United States have reduced the average ad valorem equivalent of U.S. import duties on flat glass to 7%, compared with 5.6% in the EEC and rates ranging from 5% to 18% in Japan. Due to the c.i.f. basis for application of the foreign rates, and the addition of border taxes, the effective ad valorem equivalent of the EEC import charges is 20% of the f.o.b. origin value of U.S. exports, compared with the 7% f.o.b. origin border imposts levied by the U.S. on European glass.

In 1969, the United States had an unfavorable balance of trade of $60 million in flat glass products. Imports in that year accounted for 23.3% of domestic consumption. In the sheet glass sector, U.S. imports in 1969 accounted for 28.1% of domestic consumption, up from 24.4% in the base period.

Under the impact of the import rise, employment in the domestic industries producing flat glass dropped in 1969 to 26.8 thousand, down from an average of 31.6 thousand workers for the base period. By March 1970, employment had fallen to 24.1 thousand.

President Kennedy recognized that the U.S. tariff was too low. Following an escape clause finding of serious injury by the Tariff Commission in 1961, the President increased the tariff in 1962. In January 1967, President Johnson reduced the level of the escape clause rates. In December 1969, the Tariff Commission issued a report in which three Commissioners found that the industry was being seriously injured and found, further, that the tariff should be restored to the pre-trade agreement level which is equivalent to 29.5% ad valorem. The President rejected their finding that an increase in the tariff is required.

What the Executive Branch of the Government was willing to do by way of forbearance for the ceramic tile industry in maintaining an effective level of duties in excess of 20%, and what it has vigorously sought to do on behalf of the steel, textile, and footwear industries through the negotiation of restraints on imports, it declined to do on behalf of the sheet glass industry.

THE TEXTILE MACHINERY INDUSTRY

U.S. imports rose to $152.8 million in 1969, a 251% increase from the period 1964–1965. Total growth of imports averaged 63% per year, far in excess of the average rise in imports of all manufactures. In 1969, we had an unfavorable balance of trade in textile machinery of $29 million.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff on textile machinery is 7.3%, compared with 5.2% for the EEC and 7.5% for Japan. When the EEC tariff is adjusted to a c.i.f. value basis and the weight of the border tax is added, the average ad valorem equivalent of the import charges imposed on textile machinery exported from the United States to the EEC is found to be 16.3%.

In 1969, U.S. imports of textile machinery, on a value basis, accounted for 21.4% of U.S. consumption, up from 7.6% in the base period. Under the impact of the import rise, employment in the textile machinery industry declined from an average of 44.2 thousand workers in 1965 to 41.7 thousand workers in 1969. By March 1970, employment had declined to 38.7 thousand workers.

THE BICYCLE INDUSTRY

By 1969, the import volume had increased to 2.0 million bicycles, up nearly 100% from the period 1964–1965. Total growth of imports averaged nearly 25% per year. In 1969, the United States had an unfavorable balance of trade in bicycles of $36.5 million.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff on bicycles is 10.3%, compared to 17% for the EEC and 10% for Japan. U.S. exports of bicycles to Europe are subject to import charges averaging 30.9% ad valorem when the c.i.f. basis and the border tax are taken into account.

In 1969, U.S. imports of bicycles accounted for 27.7% of U.S. consumption, up from 19.1% in the base period.

THE HARDWOOD PLYWOOD INDUSTRY

U.S. imports of hardwood plywood increased to 4.3 billion square feet in 1969, a 110% increase from the period 1964–1965. Total growth of imports averaged 28% per year. In 1969, we had an unfavorable balance of trade in hardwood plywood of $245.9 million.

The average ad valorem equivalent of the post-Kennedy Round U.S. tariff on hardwood plywood is 12.9%, compared with 13% for the EEC and 15% for Japan. The ad valorem equivalent of import charges applicable to U.S. exports of hardwood plywood into the EEC is 29.2% of the f.o.b. origin value compared with the U.S. tariff of 12.9%.

In 1969, U.S. imports of hardwood plywood accounted for 72.2% of U.S. consumption, up from 53.4% in the base period. Under the impact of the very high and rising level of imports, employment in the veneer and plywood industry, of which the hardwood plywood industry is a part, declined from 75.5 thousand workers in 1965 to 73.6 thousand in 1969. From 75.3 thousand workers in December 1968, employment dropped to 70.7 thousand workers in December 1969 and to 68.5 thousand workers in March 1970.

The above industries have been selected for discussion to illustrate the dilemma of U.S. manufacturing industries which find that their domestic market has been opened up for unlimited access to foreign competitors while the markets of those competitors have been substantially denied to U.S. exports.

The foreign economic policy issues which have been exposed by the discussion and analysis presented in this statement are as follows:

1. The selective exchange of well-defined market opportunities in the U.S. and foreign countries, which was the essence of Cordell Hull's reciprocal trade agreements proposal, has not been realized.

2. Because the trade agreement authority conferred upon the President was used as a species of foreign economic aid rather than as a commercial instrument to benefit American industries *pari passu* with foreign industries, the U.S. share of world exports of manufactures has declined, while foreign industries' share of U.S. consumption of manufactured articles has increased.

3. With the currency for bargaining reciprocal trade advantage on behalf of the United States substantially dissipated by the essentially unilateral nature of past tariff negotiations, the United States is in a very difficult

position to advance its own commercial interests in the 1970s because it has little in the way of bargaining power left to use for such purposes.

4. The U.S. leadership/invincibility of U.S. export industries syndrome that has dominated the judgment of U.S. negotiators throughout the postwar era is contrary to the facts of international commercial life with which we are faced today.

5. Contrary to the philosophy of foreign aid-oriented trade agreement negotiating experts of the past two decades, the realities of international commercial life are that U.S. industry does not possess any significant technological advantage translatable into competitive cost advantages in comparison with its foreign counterparts. The outlook for the 1970s is that technologically dynamic, large-scale manufacturing enterprises in foreign countries, substantially financed and enriched by technological know-how by U.S. companies, will reap the economic advantage of the cost bias of the lower standard of living of foreign countries and dominate world trade in manufactured products. This dominance will extend to the progressive diminution of the U.S. share of world trade in manufactured products, and the continued and more rapid invasion of the U.S. market by foreign industries. This process is already well advanced.

6. There has been no coherent and consistent policy for the support of domestic manufacturing industries in this type of a contest comparable to the close liaison and effective support which Japan and the developed nations of Europe give their industries in competing for export markets.

The aggregate expression of the above-described issues in foreign economic policy is that of a serious and pervading imbalance in our foreign economic policy concepts and administration which obscures or ignores the valid interests of domestic manufacturing enterprises and their employees.

RECOMMENDATIONS

My recommendation is that our foreign economic policy bé significantly restructured with the objective of securing a balanced consideration of domestic with foreign economic interests suitable for advancement in a strong and sustained way of the general welfare of the people of the United States.

This advancement necessarily includes the creation of an economic climate for the strengthened operation of a broad diversity of U.S. manufacturing enterprises within the United States; the protection and advancement of the interests of American workingmen, allowing them reasonable opportunities for the gainful utilization of the broad range of native aptitudes and skills which are characteristic of the American workingmen; and a due regard for the continued fostering of the economic well-being of local manufacturing establishments throughout the United States.

To accomplish these objectives, I make the following specific recommendations:

First, as to the trade agreement negotiating procedure. One of the fundamental defects in the past has been that the people who in fact make the policy decisions as to what will be negotiated and how it will be negotiated are not the persons who hear the representatives of domestic industry who come to present their case. With some limited exceptions, the hearing is conducted by an interagency panel of middle level civil servants who are not policymakers, and who summarize what they hear—and that summary may or may not be considered by the policymakers. Therefore, my first recommendation as to the trade agreement negotiating procedure is that those who make policy and negotiate the decisions also take the trouble directly to hear domestic interests in advance of the negotiations.

Secondly, the United States Government must at long last reject the curiously ambivalent view it has of domestic industry that forces it to hold industry representatives at arm's length throughout the course of the negotiations. We are the only developed country in the world that does not have available to its negotiators accredited industry advisers during the course of the negotiations, and this is a reform that is long overdue.

Second, as to the antidumping and countervailing duty remedies. Had these remedies been utilized as intended by the Congress, they might have prevented the abrupt shift in our balance of trade in 1967, 1968, and 1969. The antidumping and countervailing duty remedies are a snare and a delusion and wholly unsuccessful. They waste the time and effort that industries devote to the occasional attempts to invoke their provisions.

Apparently on the basis of an informal accommodation made by our Government with Japan in trade agreement negotiations in the 1950s and in the 1960s, and implemented by an informal commitment in the Kennedy Round, our nation displays special solicitude for dumping by Japan. The result is that the people who handle antidumping investigations are insensitive to the actual commercial realities of the problem. All doubts in dumping investigations are resolved in favor of the Japanese. Should perchance a finding of dumping slip through this process, the Treasury Department has almost uniformly in the past promptly accepted written assurances from the Japanese manufacturers not to continue the dumping. On the basis of those assurances, the dumping investigations have been terminated.

This practice has exonerated virtually all dumping by Japanese manufacturers in the past. It has provided no relief for the future. It is an abominable system. It has been strongly crticized by domestic industries.

Two weeks ago, on May 27, the Treasury Department published a revision of its procedures in regard to the discontinuance of antidumping investigations. Henceforth, dumping investigations will be concluded on the basis of written assurances from the foreign manufacturers only when the margin of dumping is considered minimal in relation to the total volume of sales involved. In announcing the change in Treasury's antidumping policy in accepting price assurances, Assistant Secretary of the Treasury Rossides stated that the past practice "allowed foreign exporters to undercut the prices of their U.S. competition in American markets without undue concern for the possible consequences under the Antidumping Act."

Domestic industries welcome this change in practice by the Treasury Department. However, in response to the Kennedy Round antidumping code, the Treasury Department changed the date from which appraisement of import entries is withheld in a dumping investigation. Under the Antidumping Act, 1921, and the Customs Regulations issued thereunder, the withholding of appraisement applied to import entries commencing on a date four months prior to the date on which the dumping complaint was filed. Currently, the withholding of appraisement applies to import entries on and after the date the notice is published. On the average, the difference of more than a year in time is involved in this change in practice.

The foreign manufacturers involved in dumping investigations are notified by the Bureau of Customs prior to the publication of the notice of withholding. This gives them an opportunity to change their prices at the time the notice of withholding of appraisement is published.

The significance of this practice under the Kennedy Round antidumping code is that a foreign manufacturer in reality will never be subject to the penalty of dumping duties for the imports which come into the United States at dumping prices. If and when the foreign manufacturer is caught in the act of dumping, the shifting of the effective date of the withholding of appraisement exonerates the foreign manufacturer from all dumping penalties up to the date of the notice. The manufacturer obviously will change his price as of the date of the notice of withholding.

As a result of the U.S. acceptance of the Kennedy Round antidumping code, and Treasury's change in its dumping regulations pursuant to the code, the antidumping remedy has been converted into a shield to protect foreign manufacturers who engage in dumping, rather than a sword to strike down the practice. In my opinion, the type of change which Treasury made in the dumping regulations in response to the Kennedy Round antidumping code is a violation of the intent of Title II of Public Law 90-634 which instructed the Secretary of the Treasury to take the provisions of the code into account "only insofar as they are consistent with the Antidumping Act, 1921, as applied by the agency administering the Act."

Prior to the code, Treasury, the agency administering the Act, applied the provisions of the Antidumping Act so as to withhold appraisement from a date commencing four months prior to the filing of the complaint. Now it has changed that practice to the detriment of domestic industry. This is the type of change which it was forbidden to make by the Congress.

As for the countervailing duty remedy, the Treasury Department has not had the fortitude to administer the countervailing duty statue since the emergence of practices in Europe on a widespread basis of remitting internal taxes on imports. Under the decisions of our Supreme Court, the remission of tax is clearly a bounty or grant which should automatically be checked by the imposition of countervailing duties. The practice is so widespread that if the Treasury Department tried forthrightly to administer the statute in accordance with its intent, countervailing duties would be imposed on virtually all manufactured imports from Europe and from Japan.

The unwillingness to face up to the dimensions of the abuse of our foreign trade rights under GATT and other agreements, and the mandatory duty which rests upon the Treasury Department, should not excuse that Department, which is primarily concerned with our balance of payments deficit, from now beginning to act more realistically in the administration of that remedy.

Third, as to the escape clause. The escape clause is incorporated into GATT. Article XIX of GATT uses language patterned after the escape clause in use in this country prior to the Trade Expansion Act of 1962. The Administration then in power urged an amendment of our domestic escape clause, which imposed a much more severe test than that in the GATT escape clause, and by that very act, freely gave away rights which we hold under GATT, which we bargained for at the time GATT was negotiated.

It is a commonplace fact that the 1962 tariff adjustment provisions will not work. The Administration's bill now before the Congress, H.R. 14870, which on its surface seems to reform those provisions, would create a condition in which the burden of proof to be carried by domestic industries is even heavier than that under the present impossible escape clause.

Under the present statute, a domestic industry must prove, as the second burden of proof, that increased imports are the major factor in causing it serious injury. This means that an industry must attempt to come up with quantitative proof showing that imports represented 51% or more of the causation.

The Administration's bill would require that the domestic industry prove that increased imports are the principal cause of serious injury. Now, in order to demonstrate that one of a number of causes is the principal cause, you must be able to provide some quantitative measurement of all the causes, line them up in an array of some magnitude, quantitatively, and demonstrate that increased imports constitute the largest, quantitatively, of all of the various causes. This would so increase the burden of proof in escape clause cases that the condition of domestic industries suffering from import injury would be worse after the amendment of the escape clause than at present.

A preferred approach is that set forth in Title II of your bill, Mr. Chairman, H.R. 16920, which provides the same standard of economic morality for industries as it does for labor unions; namely, the burden of proof to be met for relief is that increased imports have been a *substantial cause* of serious injury. The GATT escape clause only requires proof that the increased imports have caused, in whole or part, the serious injury—it need not be the major cause, nor even be the principal cause.

But these are technical matters. The major flaw in the escape clause is this: Congress has provided an expert body, an independent agency, which, but for the seven-year terms of its commissioners, is not directly subject to guidance by the political philosophy of the Administration in power. It is, therefore, for the long term more likely to be a consistent finder of facts than some branch of the Executive Department that must respond to the policy imperatives of the President.

The Tariff Commission, as an expert body, by statute makes findings to determine whether increased imports have caused or threaten serious injury and, under the statute, aso makes a finding as to the amount of tariff increase or imposition of quotas required to correct the injury.

The vice of the present system is that after that expert body carefully conducts an exhaustive investigation, including public hearings, and makes its finding, the finding goes to the Executive Branch where it is virtually ignored. During the public hearings, the domestic industry representatives are subjected to cross examination by anybody that chooses to enter the case, and this usually includes representatives of at least five foreign countries.

The apparatus for trade policy within the Executive Branch is such that every Department, in its foreign trade policy side, feels absolutely free to consider and find the facts afresh, as though the Tariff Commission had never given the matter consideration. In doing so, they conduct ex parte conferences with all of the interested parties who are anxious to overturn the finding of the Tariff Commission.

The result is that, in those few instances where the Tariff Commission has found injury from imports, the Office of the Special Representative for Trade Negotiations, fronting for an interdepartmental group, has recommended that the President not do what the Tariff Commission recommended. The Commerce Department is believed to be the only member of the interdepartmental group which has ever voted to accept the recommendations of the Tariff Commission, when it has found injury.

In antidumping proceedings, in those instances where the Treasury Department makes a finding of dumping and the case goes to the Tariff Commission, and the Commission finds injury, that finding is self-executing under the law. The Trade Relations Council recommends that the findings of the Tariff Commission in escape clause cases also be self-executing, and be implemented automatically by the Secretary of the Treasury, just as in antidumping cases.

With the reform of the escape clause, there would be some possibility that adjustments could be made in the level of imports affecting major industries, so that some beneficial effect could be preserved in our trade interests for domestic employment and for our balance of payments.

Fourth, as to the role of the Commerce Department in foreign trade policy. The Commerce Department has an insufficient role in foreign trade policy at this juncture. Among the Cabinet agencies, it is the most expert body to weigh and evaluate the force of influences in the foreign trade of the United States. It has the strongest interest to do so; yet, it has only one voice out of eight in the legal voting apparatus of the interdepartmental group, and it has no chance for its views to come before the President as the advice of his most expert Cabinet adviser on industry matters.

Therefore, we recommend that there be established a Foreign Trade Board within the Executive Branch under the chairmanship of the Secretary of Commerce, with membership for the Secretaries of Agriculture, Interior, and Labor. These are the Cabinet officers directly concerned with domestic matters, and with the impact of foreign trade developments on the domestic economy.

Let that Foreign Trade Board articulate and present directly to the President a recommendation on foreign trade policies. Then let the Secretary of State and the Office of the Special Representative present their own views separately to the President. In that way those Cabinet officials with a Constitutional responsibility for every segment of our domestic economy will have a direct channel to the President and an authoritative way of being heard.

SUMMARY OF RECOMMENDATIONS

In summary, therefore, the Trade Relations Council recommends:

1. Enactment of H.R. 16920 with amendments to Title II to accomplish the following:

   (*a*) Make the findings of the Tariff Commission in escape clause cases final and self-executing.

   (*b*) Establish a Foreign Trade Board within the Executive Branch under the chairmanship of the Secretary of Commerce with membership for the Secretaries of Labor, Interior, and Agriculture, with jurisdiction to advise the President directly on foreign trade matters reserved by statute for the decision of the President.

2. Amendment of the Antidumping Act so that the withholding of appraisement extends to imports entered from a date four months prior to the date upon which the antidumping complaint is filed with the Secretary of the Treasury.

3. Amendment of the countervailing duty statute to require that the Secretary of the Treasury impose countervailing duties on all imports which have received the benefit of the remission of value added and other internal taxes in the country of origin.

The CHAIRMAN. Thank you, Mr. Stewart, for your very fine statement and your excellent delivery of it.

We appreciate very much your bringing these views to the committee. I know they will be helpful to us.

Are there any questions?

Mr. Schneebeli?

Mr. SCHNEEBELI. Mr. Stewart, I think we all agree you have given us a very hard-hitting statement. It certainly seems to be supported by the facts and very good logic. It was an excellent presentation but that is what we have come to expect of you. You have done such a good job up to this point and you continue to do a good job.

I am very happy you gave us some specific ideas because we get a lot of generalizations. Your specific recommendations seemed to be very sound and we appreciate very much your coming to the committee. It was a very fine statement.

Mr. STEWART. Thank you, Mr. Schneebeli.

Mr. SCHNEEBELI. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

If not, again we thank you, Mr. Stewart.

Mr. STEWART. Thank you, sir.

The CHAIRMAN. We appreciate you gentleman accompanying him to the table.

(The following was received for the record:)

LINCOLN & STEWART,
Washington, D.C., June 19, 1970.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. MILLS: In my testimony before your Committee on foreign trade legislation on behalf of the Trade Relations Council of the United States, I presented recommendations which included the "amendment of the countervailing duty statute to require that the Secretary of the Treasury impose countervailing duties on all imports which have received the benefit of the remission of value added and other internal taxes in the country of origin." In support of that recommendation, in my testimony I stated that, "Under the decisions of our Supreme Court, the remission of tax is clearly a bounty or grant which should automatically be checked by the imposition of countervailing duties."

It may be helpful to you and the Committee to have a citation to the Supreme Court cases which I had in mind in making the above statement. You will appreciate that the key terms in the countervailing duty statute, Section 303 of the Tariff Act of 1930, are those emphasized in the following quotation from the statute:

"Whenever any country * * * shall pay or bestow, directly or indirectly, any *bounty or grant upon* the manufacture or production or export of any article or merchandise * * *, then upon the importation of any *such* article or merchandise into the United States, * * * whether *such* article or merchandise is imported in the same condition as when exported * * * or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all *such* cases * * * an additional duty equal to the *net amount of such bounty or grant*, however the same be paid or bestowed." [Emphasis added] (19 U.S.C. 1303)

Before discussing the Court cases, a brief treatment of the legislative history of the countervailing duty statute is in order.

A. THE TARIFF ACTS OF 1890 AND 1894

Countervailing duties were first imposed by the Tariff Act of 1890. They were limited to imports of sugar from countries paying a bounty on exports. It is evident from the legislative history, and the considerable history of the payment of export bounties on sugar, widely practiced in the latter part of the 19th Century and the early part of the 20th Century, that the provisions of the Tariff Act of 1890 were specifically limited to the imposition of a specific additional duty on sugar exported to the United States where a cash bounty on the exportation had been paid directly by the government concerned to the exporter of the sugar. See *Congressional Record*, Sept. 27, 1890, p. 10576, and Sept. 30, 1890, p. 10712.

This specific countervailing duty on sugar was carried forward into the Tariff Act of 1894. The legislative history of that Act makes it abundantly clear that the object of the duty was sugar "imported from countries that pay an export bounty on their sugar." [*Congressional Record*, July 19, 1894, p. 7711]

B. THE TARIFF ACT OF 1897

In the Tariff Act of 1897, for the first time the countervailing duty provision was made general, though it is evident that the legislators continued to have the export bounties paid by foreign countries on sugar primarily, if not exclusively, in mind. [*Congressional Record*, July 2, 1897, pp. 2203, 2225; see generally pp. 2203–2226]

The legislative history of the 1897 Act shows that the bounties paid by foreign governments on sugar exported to the United States were definite; liquidated amounts per pound. [*Ibid.*, pp. 2203–5; 2220–1]

The fact that the sole concern of the Congress was the export bounties paid on sugar imported into the United States is important. Knowing that Congress had in mind the direct payment by foreign countries of a specified sum per pound of sugar exported to the United States, we can more readily construe the words which Congress used in the 1897 Act,

"pay or bestow, directly or indirectly, any bounty or grant upon the exports of any article or merchandise."

These words were carried forward into the Tariff Act of 1930 virtually unchanged.

"Pay * * * any bounty * * * upon the exportation" meant to the Congress which chose those words the payment at the time of exportation of a sum certain on each unit of the merchandise exported. Further evidence of the dominant role which the sugar export bounties played in the formation of the Congressional purpose in 1897 is offered by the fact that during the debate prominent attention was given to the agreement reached by the United States and other countries in the International Sugar Conference of 1888 that the export sugar bounties paid by foreign countries could be countervailed by the United States. [*Ibid.*, p. 2218]

The practical necessity for the departure from the specific countervailing duty of one-tenh of one cent per pound provided in the Acts of 1890 and 1894 was the action of Germany in 1896 of increasing its export bounty on sugar by 100 percent. [*Ibid.*, p. 2218] Germany's action was quickly followed by other European producers in establishing or increasing their export bounties on sugar. [*Ibid.*, p. 2221] The effect of the bounties paid on exports of sugar was a reduction in the prices charged for sugar in international trade. The purpose of the bounty was to enable the bounty-paying countries to dispose of their surplus sugar output in the world market at prices considerably below their home market prices. [*Ibid.*, pp. 2222–3]

The advocates of the 1897 Act understood that the payment of a specified sum per unit of product exported enabled that product to be sold to the United States at an unfair advantage over domestically produced sugar. They intended that the countervailing duty provision prevent this from occurring. Thus, Senator Caffery of Louisiana stated during the debate:

"* * * I say, therefore, that in the keen competition of the world in the matter of sugar production an export bounty of 38 cents a hundred given by one country to give it superior advantages over another will enable it to destroy the products of its rival in the same line, and that is the ground upon which I put my action." [*Congressional Record*, July 2, 1897, p. 2224]

The legislators also understood that the unfair advantage conferred by the payment of a bounty on exports resulted from the lowering of the foreign producer's cost of production by his receipt of the bounty payment. Senator Chandler of New Hampshire spoke to this point in his strong advocacy of the countervailing duty provision:

"It is manifest that if protection is to be accomplished by imposing duties in the United States upon foreign products that shall equalize conditions of production to the home producers of any article of merchandise, and a particular duty is imposed for that purpose, or as one of the objects of imposing it, *and in any foreign country an export bounty shall be paid upon that article, then the cost to the foreign producer as against the home producer is reduced just so much*, and the equalizing of conditions has failed. (Emphasis added)

"Apply the principle in this case. Manifestly if there is an export bounty upon German sugar, then the producer of German sugar has an advantage over every producer of sugar in every other country who wants to send it to the United States." (*Congressional Record*, July 2, 1897, p. 2224)

Even the opponents of the countervailing duty provision conceded that it was directed against the specific bounty payments made by foreign governments to their exporters of sugar. Senator Lindsay of Kentucky, an advocate of a tariff for revenue but not for protection, declared:

"It is protection pure and simple, and it is resorted to for no other purpose, and can be explained upon no other hypothesis, than that it is to protect the American sugar industry against the unfair competition of the foreign sugar raisers who receive a bounty of 28 or 38 cents a hundred upon the exported sugars." (*Congressional Record*, July 2, 1897, p. 2225)

C. SUMMARY OF THE 1897 STATUTE

The legislative history of the basic countervailing duty provision of law, as adopted in 1897, shows that Congress had a specific and definite understanding of the type of conduct they wished to reach by the language chosen. They had the following conditions in mind:

(1) The "article or merchandise" was sugar;

(2) The bounty or grant consisted of the payment of a definite sum of money per unit of product exported [28 to 38 cents per hundred pounds of sugar];

(3) This payment was made to the exporter at the time of the exportation;

(4) This payment was in fact received by the exporter and thereby lowered his cost of production on the merchandise exported;

(5) As a result, the exporter was able to lower and did lower the price of the merchandise for export, giving him an unfair competitive advantage over U.S. producers.

D. THE TARIFF ACTS OF 1913, 1922, AND 1930

The countervailing duty provision of the 1897 Act was carried forward virtually unchanged into the Tariff Act of 1913. [H. Rept. 5, 63d Cong., 1913, pp. XLI, LI] There was very little debate on the provision, and the remarks made indicated that it was still intended by the Congress as a remedy against bounties paid on exports of sugar to the United States. By 1913, Russia had replaced Germany as the worst offender. [*Congressional Record*, May 7, 1913, p. 1336]

The provision was carried forward into the 1922 Tariff Act with minor amendments making it applicable to bounties or grants on manufacture or production, as well as on exports. This was not deemed to be a change in substance. Bounties paid by private persons and organizations were made subject to the Act. [*Congressional Record*, April 24, 1922, p. 5874]

The Tariff Act of 1930 carried forward the countervailing duty provision with the main substance of the 1897 Act still intact. An amendment was added authorizing the Secretary of the Treasury to estimate the net amount of the bounty or grant. [H. Rept. 7, 71st Cong., 1929, p. 159]

Since the main structure and language of the 1897 statute are contained in Section 303 of the Tariff Act of 1930, the meaning given to the words used by the Congress in 1897 remain a vital part of the interpretive tools of the present statute.

During the debate on the 1930 Tariff Act in the Senate, an exchange took place which throws some additional light on the understanding of that Congress of the meaning of the term "bounty or grant." During the consideration of the specific duty provided in the tariff schedules for maple sugar and maple syrup, Senator Harrison offered an amendment which would have lowered the rates. His contention was that the rates in the bill before the Senate had been increased in the Committee of the Whole on the ground that Canada imposed a bounty on the production of maple sugar and maple syrup. Senator Harrison took the position that no such bounty existed in fact; therefore, he wanted the rates of duty reduced. (*Congressional Record*, March 14, 1930, p. 5271)

Senator Smoot, in charge of the bill for the Committee, acknowledged that there was not a direct bounty, "but what amounts to a bounty." (*Ibid.*, p. 5271) Senator Dale, also a member of the Finance Committee, interposed to state:

> When the bill was under consideration, dealers in maple products did state before the committee that there were *inducements made by the Canadian Government under which the producers of sugar were greatly helped.*

That is what they call a bounty. * * * This letter is from the Canadian legation, and goes on further to state:

"It is desired to point out that the activities and cooperation extended to the maple-sugar industry by the provincial authorities of the Province of Quebec is solely for the purpose of improving the quality of the products of that industry, particularly with a view to the production of grades lighter in color."

Of course we concede that, but it has the same effect. They state in that very letter that the Government is helping the producers, and they give the reasons for the help; but that reason does not change the fact. *It has the same effects as a bounty.* (Emphasis added)

(Senator Dale referred to documents in the Committee's possession establishing that the Province of Quebec had given loans and bonuses to producers.)

They may not be bounties, but they are loans and bonuses, and this is exactly what the officials of Canada say they are doing. Taken with our low duty, *that is largely the reason why the importations of maple sugar have so greatly increased* and why the production on this side of the line has decreased." (*Congressional Record,* March 14, 1930, p. 5273) (Emphasis added).

Senator La Follette then suggested that if it were to be assumed that the governmental grants and loans made to the Canadian maple sugar producers were a bonus or bounty, the countervailing duty provision of the bill (present Section 303) would be relevant. He promptly stated his opinion, however, that the moneys expanded to improve the quality of the Canadian products were not a bounty or grant. Subsequently, Senator Fess stated:

I also recall what the chairman of the committee stated. He used the word "bounty," but if there is assistance afforded under a different name than bounty, of course the result would be the same. I take it for granted, however, that *there is no bounty granted, according to the technical meaning of the word.* (Emphasis added)

"Mr. HARRISON. Absolutely not.

"Mr. FESS. I think that is correct."

(*Congressional Record,* March 14, 1930, p. 5274)

Thereafter, the Senate retained the high rates of duty which the Committee had premised upon the fact of the payments made to Canadian producers by the Province of Quebec. In view of the reference to the countervailing duty provision of the bill during the debate, and the colloquy, above quoted, indicating the opinion of those playing a leading role in the debate that the bonuses and loans did not satisfy the *technical meaning* of the countervailing duties statute, this legislative action shows that not *every* payment of moneys to foreign producers by their government can be considered the payment of a bounty which is subject to countervailing duties. And this is true even though the bonus payment program may, as in the case of maple sugar and syrup, stimulate increased exports to the United States.

This insight into the understanding of the 1930 Congress of the term *bounty or grant paid upon exports* is instructive in the Committee's consideration of the efficacy of the countervailing duty statute. It shows that something more than the payment of moneys by the government to foreign manufacturers is required to bring the action within the provisions of the countervailing duty statute, even though such payments are accompanied by increased exports to the United States.

JUDICIAL INTERPRETATION OF THE LAW

Against this background of legislative history, let us consider now the judicial interpretation of the countervailing duty statute.

"Bounties" exist for many purposes. Those paid upon exports are but one of the many uses of bounty payments by governments to achieve public purposes. The Supreme Court defined the term, subsequent to its use in the Tariff Act of 1897, as follows:

Bounties granted by a government are never pure donations, but are allowed either in consideration of services rendered or to be rendered, objects of public interest to be obtained, production or manufacture to be stimulated, or moral obligations to be recognized. *Smith* v. *Allen,* 173 U.S. 389, 402.

Establishing the fact that a bounty has been paid does not, therefore, dispose of the issue presented in a countervailing duty case. It would be necessary to go beyond the mere finding that a bounty has been paid and to determine for what purpose the bounty is paid.

The countervailing duty statute requires that the bounty be paid or conferred *upon production or exportation*. The specific meaning given those words by the statute is that the bounty is *upon* the production or exportation of an article *when* it is paid to the producer who exports it, under circumstances where the amount of the bounty is measured by the number of units exported.

The Supreme Court construed the countervailing duty provision of the 1897 Tariff Act in *Downs* v. *United States*, 187 U.S. 496. At issue was Russia's export bounties on sugar. The Court discussed the general meaning of the word "bounties," apart from its statutory context. It found that "bounties" may be:

Direct, as "where a certain amount is paid upon the production or exportation of particular articles" [*e.g.*, U.S. sugar bounties and customs drawback]; or

Indirect, as "by the remission of taxes upon the exportation of articles which are subjected to a tax when sold or consumed in the country of their production" [*e.g.*, the U.S. remission of internal revenue taxes on distilled spirits which are exported]. [187 U.S. at 502]

In the *Downs* case, the Court found that the Russian exporter of sugar obtained a certificate from the government upon exportation of sugar, solely because of the exportation. These export certificates had monetary value in the markets of Russia. That monetary reward was held by the Court to be a bounty requiring the imposition of countervailing duties.

In *Nicholas & Co.* v. *United States*, 249 U.S. 34, the Supreme Court had occasion to construe the countervailing duties section in the 1913 Tariff Act. Whiskey and gin imported from Great Britain with the benefit of a monetary allowance paid on each gallon of exported spirits were involved. The Court stressed that the essential requirement of the countervailing duty statute was a conferring of something by a country *upon the exportation of an article or merchandise.* The Court laid down the rule that two things must be considered in determining the applicability of the countervailing duty statute:

> 1. The fact that the grant is made at the time of exportation and only upon exportation, * * *
>
> 2. The event, that the spirits may be sold cheaper in the United States than in the United Kingdom, and necessarily there may be that aid to their competitive power. (Emphasis added) (249 U.S. at 39)

The Court held that the monetary allowance granted at the time of exportation on each gallon of spirits exported was the payment of a bounty upon exportation which, under the statute, was subject to countervailing duties. It stated:

> We have the fact of spirits able to be sold cheaper in the United States than in the place of their production, and this is the result of an act of government because of the destination of the spirits being a foreign market. For that situation [the statute] was intended to provide. (249 U.S. at 39, 40)

The several decisions of the U.S. Court of Customs and Patent Appeals construing the countervailing duty statutes add nothing of substance to the principles developed by the Supreme Court in the cases discussed above. An actionable bounty under the countervailing duty statute must be capable of ascertainment in relation to the number of units comprising the particular exportations deemed to be subject to the Act. See *Franklin Sugar Refining Co.* v. *United States*, 1 Ct. Cust. App. 242, and *United States* v. *Franklin Sugar Refining Co.*, 2 Ct. Cust. App. 116. Those cases involved the bounty paid by Germany of 2.5 and 2.4 Marks per 100 kilograms of sugar exported. The issue was whether the bounty (and, hence, the countervailing duty) should be computed on the basis of the export weight, or on the weight found at the time of importation (sugar being subject to some shrinkage in transit). The court found the latter to be the correct weight.

In *Nicholas & Co.* v. *United States*, 7 Ct. Cust. App. 97, *aff'd*, 249 U.S. 34, the court declared that the "plain, explicit, and unequivocal purpose" of the countervailing duty statute [there, the 1913 Act] is as follows:

> Whenever a foreign power or dependency or any political subdivision of a government shall give any aid or advantage *to exporters of* goods imported into this country therefrom *whereby they may be sold for less in competition with our domestic goods*, to that extent by this paragraph the duties fixed in the schedule of the act are increased. It was a *result* Congress was seeking to equalize regardless of whatever name or in whatever manner or form or for whatever purpose it was done. (Emphasis added, except for "result") (7 C.C.P.A. at 106)

This forceful construction of the statute emphasizes two basic prerequisites for the application of countervailing duties. These prerequisites are as follows: (1) the "aid or advantage to exporters" and (2) the requirement that the exported goods may be sold for less in competition with U.S. goods as a result of the conferring of the "aid or advantage to exporters" by the challenged government policy.

The court has followed its *Nicholas & Co.* decision in later cases construing the countervailing duties provision in the Tariff Act of 1930. *F. W. Woolworth Co.* v. *United States*, 28 C.C.P.A. (Customs) 239, 249; *Robert E. Miller & Co., Inc.* v. *United States*, 34 C.C.P.A. (Customs) 101, 105. Export prices below home market prices are not necessarily the result of the conferral of a bounty or grant, if a difference in quality in the product sold in the two markets contributes to the difference in price. *Energetic Worsted Corp.* v. *United States*, 53 C.C.P.A. (Customs) 36, 45, C.A.D. 874.

The court's decisions in *Nicholas*, *Woolworth*, and *Miller*, *supra*, establish that the changes in language which have occurred in the statute since 1897 have not changed its meaning. Therefore, the Supreme Court decisions discussed above continue to be the authoritative construction of the statute.

SUMMARY OF JUDICIAL INTERPRETATION OF THE LAW

Under the settled judicial construction of the countervailing duty provision, the conditions which must be found to exist as a prerequisite to the assessment of countervailing duties exist in regard to the remission of internal taxes by foreign countries (for example, the countries of the European Economic Community) on exports to the U.S.:

(1) The benefit extended by the foreign government in the form of remission of internal taxes is uniformly conferred on exporters;

(2) The payment of the benefit is made at the time of exportation or solely because of the exportation; and

(3) The benefit conferred in the form of a remission of internal taxes enables the exporters to sell products to the United States below the price at which such articles are available in the country of origin.

CONCLUSION

The practice of foreign countries, including the countries of the European Economic Community, in remitting internal taxes on exports destined to the United States is clearly equivalent to the payment or bestowal of a bounty or grant directly or indirectly upon the exportation of articles for importation into the United States. Consequently, within the letter and intent of the judicial interpretation of the countervailing duty statute, countervailing duties may validly be imposed on such imports.

Respectfully submitted,

EUGENE L. STEWART,
General Counsel, Trade Relations Council of the United States.

The CHAIRMAN. Our colleague from Nebraska, the Honorable Dave Martin, will be the next witness before the committee today. We are glad to have you with us; you may proceed with your statement.

STATEMENT OF HON. DAVE MARTIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. MARTIN. Mr. Chairman and members of the committee, I thank you for the opportunity to appear before you today on the subject of amending the law relating to limitations on meat imports, as proposed in H.R. 6516, which I introduced and sponsor in this Congress.

I urge the swift approval of this legislation in the interest of protecting the American livestock producer, individually and collectively, and to preserve this industry as a completely independent segment of our American economy.

As members of the committee know, from information compiled by the Department of Agriculture, imports of beef have a definite relationship to the price of cattle in the United States. American cattlemen are the last free and completely independent segment of our American economy. They do not want Government controls, nor do they want price supports. And yet, if current trends of imports of beef into the United States are continued in future years, it is almost a certainty that Government programs will be initiated to regulate the production of meat in the United States, and provide another costly price support and subsidy program.

I feel strongly that the American cattlemen are entitled to protection from foreign imports by our Government. Not only are they entitled to this, but they need such protection now if they are to succeed in the years ahead. We know that the American livestock producers are capable of producing the meat that is needed and that will be needed for consumption in the United States in the years ahead. But, if they are continually made to compete with vast foreign imports of meats, they cannot be expected to be able to continue to produce. Where they now have the capacity to expand as consumption expands, to meet the test of supply and demand, they will not be able to do so if they are gradually priced out of business by foreign imports.

Mr. Chairman, imagine if you will, the possibilities of the long-range effect these stepped-up imports of beef might have on the United States. As American cattlemen have to fight the price wars of cheaper produced foreign meat imports, more and more will go out of business. As more and more go out of business, and as U.S. production of meat decreases, foreign imports will increase—at least they will have to increase to meet the need. And, as more and more imports come in, more and more American producers will be priced out of the market.

But, then what is to happen? Can we sit here today and say that foreign countries currently importing meat into the United States will be able to supply the total market we now have, at reasonable prices? Will the foreign countries be able, for instance, to supply beef to the United States at a rate of more than 23 billion pounds this year, and 25 billion pounds by 1972, and 30 to 35 billion pounds by 1980? Can we honestly believe that these foreign countries alone can supply such meat to the United States, while at the same time their own consumptions and demands are increasing? And, if so, at what price will this meat, certain to be in much more demand by 1980, be selling for in the United States?

Mr. Chairman, I pose these questions which now hardly seem relevant, because they are very real questions we should consider before we continue to give licensure to foreign imports of meat that threaten this very important industry in the United States. It is time that we give first consideration to American industry and to the American taxpayers rather than consideration of our image in the eyes of foreign countries, particularly when this well-meaning intention of ours may well have a boomerang effect on our country by result of our inability to provide our own food after having been the most productive nation in the world in meat.

I well realize that we now have enacted into law, limitation on meat imports into the United States. It is this very law with which we are now concerned and with which the legislation I have introduced and support is concerned. The legislation is necessary because of the context of the present legislation, and the high imports it now allows that threaten our American cattle industry as I have discussed.

By virtue of the exclusion of certain types of meat, certain classifications, and by the formulas we have devised for setting new and higher annual import allowances, the current legislation does not in fact have the concern of the American livestock producer at heart.

With this in mind, Mr. Chairman, I would like to present statistics showing the huge increases of meat imports, particularly beef and veal, in recent months and years, making comparisons, and reflecting consumption changes and comparisons.

I have provided tables here based on information of the Department of Agriculture, to provide easy reference to increase and figures discussed. In examining the vast increases in imports, I will cover six areas: (1) meat imports presently subject to quota restrictions; (2) comparisons of 1970 quota meat imports for the first 4 months of this year; (3) imports of prepared and preserved and other meats not presently subject to meat quota restrictions; (4) total import figures, 1965 through 1969, including quota, nonquota and Canadian imports; (5) U.S. beef consumption and percentages of foreign imports; and (6) imports from Canada as they relate to increasing activities by importing countries to bypass U.S. quota agreements and restrictions.

Mr. Chairman, it is plain to see from table I how much imports of meats subject to quota restrictions have increased over the years. But, what the chart does not show, is that 1969 imports of meat subject to import quota restrictions came close to triggering quotas.

(The table referred to follows:)

TABLE I —TOTAL IMPORTS, QUOTA RESTRICTION MEATS, 1959-63 AVERAGE TO 1969 (INCLUDING ANNUAL INCREASES, TOTAL INCREASES, AND PERCENTAGE INCREASES)

[In million pounds product weight]

Year	Total imports	Annual increase	Percent increase	Increase over 59-63 average	Percent increase	1969 increase over each year	Percent increase
1969	1,084.1	83.1	8.30	361.9	50.11		
1968	1,001.0	106.1	11.86	278.8	38.60	83.1	8.30
1967	894.9	71.5	8.68	172.7	23.91	189.2	21.14
1966	823.4	209.2	34.06	101.2	14.01	260.7	31.66
1965	614.2	−125.7	−16.99	−108.0	−14.95	449.9	76.51
1964	739.9	17.7	2.45	17.7	2.45	344.2	46.52
1959-63 average	722.2					361.9	50.11

Note: Average annual increase since 1959-63 average, 8.06%; Average annual increase since 1965, 15.73%; Average annual increase since 1966, 9.61%

Mr. MARTIN. The base quota for 1969 was 988 million pounds product weight, and the 110 percent adjusted base for triggering quotas was 1,086.8 million pounds. The Department of Agriculture, from its first through its fourth and final quarterly estimate in 1969, had estimated total imports for the year at 1,035 million pounds. This estimate was 51.8 million pounds below the amount—maximum—that would have triggered quotas.

However, the total of meats subject to quotas restrictions actually imported for the year, by year's end had reached 1,084.1 million pounds—just 2.7 million pounds below the quota trigger maximum of 1,086.8 million pounds allowed for the year, and nearly 50 million pounds more than the USDA estimates for the year.

Mr. Chairman, from table II, which compares quota meat imports for the first 4 months of 1970 with the first 4 months of 1969, it is obvious that imports of meats into the United States in 1970 could reach as much as 20 percent more than in 1969, and than is presently allowed under import meat quota restrictions. The situation would, of course, require the imposition of quotas by the Secretary of Agriculture and the Federal Government, on importing nations.

(The table referred to follows:)

TABLE II.—U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW,[1] JANUARY-APRIL 1969–70 WITH COMPARISONS

Comntry of origin	April 1969 (1,000 pounds)	April 1970 (1,000 pounds)	January-April 1969 (1,000 pounds)	January-April 1970 (1,000 pounds)	Percent change from 1969: April (percent)	Percent change from 1969: January-April (percent)
Australia	39,753	39,982	138,172	202,680	+.6	+46.7
New Zealand	26,361	13,693	71,263	65,038	−48.1	−8.7
Mexico	4,957	8,816	25,325	37,249	+77.8	+47.1
Canada	3,268	7,420	13,177	25,237	+127.0	+91.5
Costa Rica	2,564	5,009	13,049	19,699	+95.4	+51.0
Ireland	5,355	4,176	16,056	27,137	−22.0	+69.0
Nicaragua	3,168	3,574	15,522	17,377	+12.8	+12.0
Guatemala	1,823	2,757	9,220	12,030	+51.2	+30.5
Honduras	1,223	1,467	7,768	11,844	+20.0	+52.5
Panama	184	830	1,794	3,506	+351.1	+95.4
Dominican Republic	943	690	4,734	2,712	−26.8	−42.7
Haiti	73	193	482	419	+164.4	−13.1
United Kingdom	332	103	1,864	965	−69.0	−48.2
Total	90,004	88,710	318,426	425,893	−1.4	+33.7

[1] Fresh, frozen and chilled beef, veal, mutton and goat meat. Excludes canned beef and other prepared or preserved beef products.

Mr. MARTIN. The Agriculture Department has reported quota restricted meat imports of 425.9 million pounds product weight for the first 4 months of 1970, which includes the two normally low import months of January and February. The adjusted base quota for the year—the amount which would trigger quotas—is 1.099 billion pounds, and the Department of Agriculture estimates for the year are 1.062 billion pounds. It is also to be noted that during the first 4 months of 1969, we were experiencing dock strikes on the Atlantic and gulf coasts, which no doubt kept imports down at that time. Otherwise, we should probably have had to trigger quotas by year's end.

Mr. Chairman, what table II shows, is that with 425.9 million pounds of quota meat imports for the first 4 months—the first one-third—of 1970, we have already reached 39.3 percent of the total 1969 imports, 38.8 percent of the 1970 adjusted quota that would trigger restrictions, and 40.1 percent of the Department of Agriculture estimate for the year.

At this rate, if the final two-thirds of the year were to have about the same amount of imports—assuming no imposition of quotas—total imports in 1970 would reach 1,277.7 million pounds of import quotas meats. That would be 193.6 million pounds, or 17.9 percent above the actual total 1969 imports; 178.7 million pounds, or 16.3 percent above the 1970 adjusted quota; and 215.7 million pounds, or 20.3 percent above the 1970 estimates.

Turning our attention now to imports of prepared and preserved meats, and canned and others from Canada, which are outside the quota restrictions, from table III we can see that these nonquota imports have risen nearly 60 percent in the last 5 years—from 115.5 million pounds in 1965, to 184.3 million pounds product weight in 1969. That is an average annual increase of 13.3 percent.

(The table referred to follows:)

TABLE III.—NONQUOTA MEAT IMPORTS (BEEF AND VEAL, CANNED, PREPARED, PRESERVED, AND FROM CANADA)

[In 1,000 pounds product weight]

Year	Amount	Annual increase [1]	Percent change	Increase from 1965	Percent change
1965	115,464				
1966	128,433	12,969	+11.23	12,969	11.23
1967	137,266	8,833	+6.88	21,802	18.88
1968	187,655	50,389	+36.71	72,191	62.52
1969	184,309	−3,346	−1.76	68,845	59.62

[1] Average annual increase since 1965 equals 13.26 percent.

Mr. MARTIN. I would just comment here that the slight decrease of 3.3 million pounds in 1969 from 1968, is probably accounted for in most part by those same dock strikes during the first half of last year.

These imports will, without a doubt, be substantially larger this year. Already for the first 4 months of this year, they totaled 61,478,000 pounds compared to 49,235,000 for the first 4 months of 1969.

Mr. Chairman, in the table III figures, we are looking at meat imports that are virtually unrestricted—dependent solely on demand and consumption, and without any form of restriction for import by the United States.

Table number IV combines quota restriction meats and nonquota meats, to give the totals of meat imports into the United States for the years 1965 through 1969. With regard to quota meats, it is significant to note that except for the rather large increase in imports from 1965 to 1966, mutton and goat meat imports have remained about the same in recent years, at least without any large increases. However, with beef and veal, this is not the case, and increases have ranged from less than 10 percent to more than 30 percent, annually. Comparing all imports during this period, quota and nonquota—which is primarily all beef and veal—increases have ranged from less than 10 percent to more than 25 percent. From 1965 to 1969, total beef and veal imports have increased by 73.6 percent, with an average annual increase of 15 percent.

(The table referred to follows:)

TABLE IV.—TOTAL MEAT IMPORTS—QUOTA (ALL TYPES), NONQUOTA (INCLUDING FRESH, FROZEN AND CHILLED FROM CANADA, AND ALL OTHER BEEF AND VEAL, CANNED, PREPARED, PRESERVED), 1965 TO 1969

[In million pounds, product weight]

QUOTA RESTRICTED MEATS

Year	Total	Mutton and goat	Beef	Veal	Beef/veal total	Annual increase	Percent increase
1969	1,084.1	54.2	1,004.2	25.7	1,029.9	90.9	9.7
1968	1,001.0	62.0	920.8	18.3	939.0	98.4	11.7
1967	894.9	54.3	826.3	14.2	840.6	77.7	10.2
1966	823.4	60.5	740.9	22.0	762.9	179.0	30.7
1965	614.2	30.3	565.1	18.9	583.9	------	------

NONQUOTA MEATS, AND TOTALS

Year	Nonquota	Total beef/veal	Annual increase	Percent increase	Increase from 1965	Percent increase
1969	184.3	1,214.2	87.5	7.8	514.8	73.6
1968	187.7	1,126.7	148.8	15.2	427.3	61.1
1967	137.3	977.9	86.6	9.7	278.5	39.8
1966	128.4	891.3	191.9	27.4	191.9	27.4
1965	115.5	699.4				

Note: Average annual increase of beef and veal imports equals 15 percent.

Mr. MARTIN. Again, we know that these imports, quota, nonquota, and total, are going to continue to increase under the existing situations.

Mr. Chairman, in all of the previous discussion and use of table concerning U.S. meat imports, we have been dealing with the subject of imports specifically as they are compared from one year to the next, and in terms of import increases. This has suited our purpose in viewing the changes in imports into the United States, without any direct relation to the total meat situation within the United States.

I believe, however, that comparisons and analysis should not stop with single import figures. If we are to have a true perspective of the relation of imports to domestic meat figures, consumption and related criteria, we need to make still a further comparison. This I have done in table V.

For this comparison, to get this true perspective of the effect of meat imports on the entire U.S. meat situation, I have compared imports with U.S. beef consumption, and shown how much of the beef consumption in the United States these imports represent.

Again, I have used U.S. Department of Agriculture figures. For 1965 and 1969 comparisons, the Agriculture Department uses population figures for the civilian population of the 50 States. And, since total and average consumption figures are maintained by carcass weight, the imports for these years are also presented in carcass weight figures. Furthermore, by using carcass weight figures, the Agriculture Department is able to separate total mutton and goal meat imports from beef and veal, with which we are concerned in terms of beef consumption in the United States.

(Table V follows:)

TABLE V.—U.S. BEEF CONSUMPTION: 1965–69, AND PERCENT OF FOREIGN IMPORTS
IMPORTS: MILLION POUNDS CARCASS WEIGHT

Year	Quota meats	Non-quota	Total	Mutton and goat	Percent increase	Beef and veal	Percent increase
1965	842.2	159.3	1,001.5	59.9		941.6	
1969	1,502.7	246.3	1,749.0	108.4	81.0	1,640.6	74.1

U.S. BEEF CONSUMPTION

Year	Total, billion pounds carcass weight		Pounds per person, carcass weight	
	With veal	Without veal	With veal	Without veal
1965	20.054	19.056	104.5	99.3
1969	22.786	22.107	114.1	110.7

BEEF IMPORT PERCENTAGE OF U.S. BEEF CONSUMPTION

Year	With veal	Without veal	Percent increase of U.S. consumption (with veal)
1965	4.7	4.9	
1969	7.2	7.4	53.2

Note: Percentages in the "without veal" column above include figures with veal imports; where these are not maintained or recorded by U.S.D.A. separately from beef in nonquota import figures.

Mutton and goat consumption figures are not included because they are not of primary or direct concern to beef and veal imports for consumption, and because consumption figures for mutton and goat are not maintained by U.S.D.A.

Mr. MARTIN. You will note in table V, that beef and veal imports into the United States have increased by 74.2 percent carcass weight, from 1965 to 1969. And, from the beef import percentage of beef consumption listing, you will note that beef and veal imports into the United States in 1965 made up 4.7 percent of the consumption of beef and veal in the United States that year. In 1969, imports made up 7.2 percent of this consumption—and, that is an increase of 53.2 percent of import meat in total U.S. beef and veal consumption.

From earlier discussion, it becomes quite clear in these figures, that foreign meat imports may indeed one day take over the bulk of meat production for the United States. Imports are continuing, their respective percentages of U.S. consumption are jumping by leaps and bounds, and we have nothing to make us believe that this activity will be curtailed, by existing laws pertaining to imports.

Mr. Chairman, the final table, No. VI, shows meat import figures for the United States from Canada, for the years 1965 through 1969, and for the first 4 months of 1970. I have included this table, with figures from this one country, because this country is singular among meat-importing nations. As you know, the United States does not have voluntary import restriction agreements with Canada. As such, that country does not have a quota restriction on the amount of meats it can import into the United States. Now, this discussion is not concerned with the merits of having or not having such an agreement with Canada, except that because of this situation at present, another most serious problem has developed concerning meat imports into the United States.

That, Mr. Chairman, is in the so-called bootlegging of meat imports into the United States—the third-country shipments, the direct importation of meats into the United States by quota restricted nations that ship these meats to the United Staets, through Canada, and thereby bypass their respective quota agreement restrictions. In such cases, where these meats are not identified by country of origin, they are statistically recorded for the purpose of total meat imports, as being shipments technically from Canada. And, they are consequently reflected in the nonquota restricted imports, which include imports from Canada of fresh, chilled, and frozen meats, along with the nonquota types of canned, prepared, and preserved meats.

(Table VI follows:)

TABLE VI.—U.S. MEAT IMPORTS FROM CANADA

[In million of pounds, product weight]

Year	Total	Mutton and goat	Beef and veal
1965	71.705	0.302	71.403
1966	57.439	.239	57.200
1967	26.699	.040	26.659
1968	46.698	----------------	46.698
1969	44.491	.503	43.988
1st 4 months, 1970	25.598	.068	25.530

Note: These imports are included in the nonquota imports of beef and veal, prepared, preserved meats in table IV of this statement, as recorded by USDA.

Mr. MARTIN. You will note in table VI, that imports from Canada fluctuate greatly from one year to the next. Generally, with this single importing country with which the United States does not have voluntary restriction agreements, imports are considerably down from 1965, in the later years of the decade of the 1960's.

However, the upturn in imports reflected from 1968, with a near same amount in 1969, included 18 million pounds of meats from other countries that shipped through Canada thereby bypassing restrictions in quota agreements with those countries, according to the USDA.

This has far-ranging impact when we view the imports for the first 4 months—one-third—of 1970. USDA reports, as recently as this month, that these shipments have been coming into the United States at a rate of 1 million pounds per week in 1970. This means that 17 to 18 million pounds of such bootleg meats have come into the United States through Canada during the first 4 months of 1970, and some 22 million pounds by the end of May. In the Canadian import figures, the 17 to 18 million pounds from other countries would indicate that of the 25.6 million pounds listed from Canada, only 7 to 8 million actually represent imports of Canadian meat.

It is important to note here, that the 25.6 million pounds from Canada already in the first 4 months of this, represents 57.5 percent of the total imports from that country for the entire year of 1969. At this rate, if these import shipments continue to come into the United States, by the end of 1970 they will represent an increase of 172.6 percent over 1969—or 76.8 million pounds.

Mr. Chairman, in summary, the high allowances for quota-restricted imports, plus the nonquota imports that include these bootleg shipments, pose a positive threat to the American cattleman. These have been rapidly increasing and appear to be going to continue to increase at such rates. They directly affect domestic meat prices. The USDA estimates of last year were nearly 50 million pounds too low for the actual imports for the year. In the most realistic comparison, imports are representing a vastly increasing percentage of U.S. beef consumption.

What does all this mean? It means, Mr. Chairman, and members of the committee, that our present import laws are too loose, are weak, and are inadequate to perform the function for which they were intended. And, the solution lies in strengthening the law, in eliminating the alternatives for importation that can and have in fact resulted in the ineffectiveness of the import restrictive portions of the law. And, it means that these imports must be combined by classifications as much as possible for maximum implementation of the law. At the same time, in view of the Agriculture Department's large margins of error in estimating imports, and in view of the high import restriction allowances at present, it means that we must eliminate from the law, the provision for adjustments of the base quota import allowances. Lastly, the law must be changed to prohibit such open evasion of our import laws as is occurring in the bootleg shipments of meat imports into the United States.

Mr. Chairman, it is with these needs in mind that I have sponsored legislation to amend the law on limitation of meat imports, and that I urge swift aproval of this by the committee for enactment by the Congress of H.R. 6516.

The legislation would accomplish three things: (1) It provides for the inclusion of beef and veal, canned, prepared and preserved meats (except sausages), in the meat import limitations subject to quota restrictions. Where this formerly included only cattle and goats and sheep (except lambs) from importing countries with which the United States has had voluntary restriction agreements, it would by this legislation include all imports, whether fresh, frozen, chilled, canned, preserved, or otherwise prepared, of beef and veal, mutton and goat. The result is one category of major meats for consumption, excluding only lambs and such specialty items as sausage, for import control purposes.

(2) The legislation removes the provision for adjustment by 110 percent of the aggregate quantity (base quota) allowed for the year, for total allowable imports before triggering the quotas. The amount of imports allowed within the base quota unadjusted is already very high, and by eliminating this 10 percent adjustment factor, the law can be most specifically applied as to amount of imports allowed for 1 year, thereby reducing the amount of difference with which the USDA has to consider in its estimates.

Mr. Chairman, it is significant here, that if the two previous provisions had been in effect in the law in 1969, foreign meat imports into the United States would have been reduced by 280.4 million pounds product weight. The 1969 base quota for imports subject to quota restrictions was 988 million pounds, and the adjusted base at 110 percent was 1.086.8 million pounds. But if the 110 percent adjustment had not applied, and if nonquota meats had been included in quota restrictions, there would have been 280.4 million pounds less of meat allowed, almost entirely beef and veal, before quotas would have been triggered last year.

As it was, what we had instead, was virtually the reverse. By the context of our law in this important field at present, we allowed the importation of 280.4 million pounds of meat above and beyond the quota limits for which this legislation was intended in the first place. There can be little doubt that the reduction in imports this year would be much more, where already we have seen higher quota imports for the first 4 months, higher nonquota meat imports, and heavy bootleg shipments.

And, with regard to these bootleg shipments, they would be brought under control in my proposed legislation, where nonquota and prepared and preserved meats would be included in quota restrictions.

(3) The final change proposed in this legislation is for repel of the provisions in the present law that would allow suspension of annual quantities (fixed quotas). This is an exception provided for within the present law, although it has never been applied. I view this as a potential danger to the American livestock industry, should it be improperly or hastily invoked, and as it serves no direct purpose with regard to regulation of imports as to a schedule of fixed amounts, it is further unnecessary to the present law. At such time as any real national emergency would exist by way of shortages of meat, the Congress can surely be expected to act to bring relief. But, this would be after appropriate deliberation in direct relation to the seriousness of the situation and the real danger, as opposed to the blanket authority now in the law that does not provide for any interpretation of the seriousness of meat shortages, or indeed, even the proof that there is real danger.

Mr. Chairman and members of the commitee, I have taken a considerable amount of your time on this subject, but it is time that has been required to deal with such a serious matter. The present law is haphazard in its administration, it is ineffective in import controls as witnessed by bootleg shipments into the United States, and it poses a very real threat to the American cattlemen who represent the last free segment of American agriculture, from regulation and subsidy. Unless we want to see the day when American tax dollars are poured into regulatory agencies and for price support and subsidy of meat production in the United States, we will have to take such legal actions as this proposed legislation and make every effort possible to protect our Nation's cattle industry.

I ask that the committee give its approval to this legislation, and urge that Congress enact it as soon as possible.

The CHAIRMAN. Are there any questions of Mr. Martin? If not, we thank you for your appearance today.

Our next witness is Mr. McMillan.

Mr. ULLMAN. Mr. Chairman, I would like to welcome before the committee a very distinguished citizen of my home county in Baker, Oreg., who, like his dad before him, is not only an outstanding cattleman but an outstanding leader in the community. I certainly want to welcome him before the committee.

I commend you to all these members of the committee.

Mr. PHILLIPS Thank you, Mr. Ullman.

The CHAIRMAN. Mr. McMillan, you have been before the committee many times in the past but we would like you to again identify yourself for the record.

STATEMENT OF C. W. McMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION; ACCOMPANIED BY FRED PHILLIPS, PRESIDENT, OREGON CATTLEMEN'S ASSOCIATION

Mr. McMILLAN. Thank you.

I am C. W. McMillan, the executive vice president of the American National Cattlemen's Association.

Mr. Ullman has already introduced Mr. Fred Phillips from Oregon who currently is the president of the Oregon Cattlemen's Association and who will augment my comments later on.

The American National Cattlemen's Association sincerely appreciates this opportunity to augment testimony presented on June 24, 1968, to the Ways and Means Committee.

The matter of meat imports into the United States continues to be a problem of deep concern to the domestic beef cattle industry. Although we feel that Public Law 88–482 is serving its purpose now, as was the case in our testimony in 1968 embracing the amendments then introduced by Chairman Mills, we still feel the need for strengthening amendments as those contained in H.R. 17540, introduced by Congressman Ullman, and numerous other related bills.

The testimony presented in 1968 still is valid. We stand solidly behind it, but there have been some new developments since that time which we wish to present to you now.

Beef imports of the type covered under Public Law 88–482 have continued to grow. They have increased at an average rate of 9 percent annually since the law was passed. Table I outlines the annual quantities of all beef imports since 1958.

QUARTERLY QUOTAS WOULD HELP STABILITY

In 1968, 1969, and expected for 1970, imports of fresh, chilled, and frozen beef, veal, mutton, and goat meat under the law have exceeded the quota by means of voluntary agreements entered into by the exporting nations. We know that in 1968 and 1969 there was severe hardship placed on cattle producers in the major exporting countries late in the year because of a cutback in exports imposed by those nations during the latter months of those years. Adoption of amendments which would establish quarterly quotas, as we discussed in our 1968 testimony, would alleviate this problem and would be of great stabilizing influence to the domestic beef cattle industry as well as for our fellow beef cattle producers in foreign nations.

CANNED, COOKED, AND CURED BEEF

Paralleling the increases in imports of fresh, chilled, and frozen beef and veal has been a sharp increase in the importation of canned, cooked, and cured beef. It has increased at an average rate of 15.4 percent annually since 1964. Table I shows this increase. This product originates principally from South America and must meet stringent conditions which assure that it contains no live virus of foot-and-mouth disease. It must be cooked to an internal temperature sufficiently high to kill the foot-and-mouth virus.

New techniques have been developed in canning and cooking, or cooking and then freezing or canning the product, so that today we are informed such firms as the Campbell Soup Co. are using nearly all imported beef in their soups and TV dinners. Although we have contended consistently that the so-called manufacturing-type beef is competitive with all qualities of our domestically produced beef, this use of cooked beef in such as TV dinners make it even more competitive with the domestic product, causing loss of demand for the so-called U.S. produced "table" or "block" beef.

HIGH PROPORTION OF CUTS

The growth of franchise steak and roast beef houses has been phenomenal in recent years. We are informed that many of these establishments are also using practically all imported beef. Coupled with this has been the growth in imports of "cuts". We have reason to believe it has grown to such proportions that they make up at least 40 percent of all fresh, chilled, and frozen beef imports into the United States. Until recently, advocates of more beef imports have led us to believe that all of the beef coming into the United States was of manufacturing quality and found its way only into grinding. Obviously, if 40 percent of fresh, chilled, and frozen imports are "cuts," they do not find their way into grinding and may have the effect of creating an artificial "shortage" of grinding meat to go into such products as hamburgers and frankfurters.

Added to this very large amount of fresh, chilled, and frozen beef cuts are the improved technologies of importing such cooked and frozen items as beef rounds from countries such as Argentina. This principally is used in roast beef sandwiches. This product is competitive with domestically produced beef of all qualities and does not find its way into the usage of "blending" with trimmings from our fed beef animals in the United States. The matter compounds itself, not only creating an artificial "shortage," but causing hamburger prices to be higher than they might be otherwise.

This becomes quite important to U.S. taxpayers because duties are not collected at the rate which should be assessed to this type of product. Most fresh, chilled, and frozen beef carries a 3-cent per pound duty. In reality, most cuts should carry a 10 percent ad valorem duty. Importers for their own financial gain prefer the 3-cent rate. They profit two ways—lower import duty and higher per pound sales—so the consumer loses twice.

We are delighted that the U.S. Department of Agriculture and the Tariff Commission are embarking upon a joint study to develop figures as to the proportion of "cuts" of beef coming into the United States in fresh, chilled, or frozen form.

We are confident this study also will show need for changes in the Meat Import Act of 1964 to close the ever-widening "loopholes" as those cited above. We feel this could be accomplished easily by the adoption of the amendments in H.R. 17450 which would add more TSUS numbers to the law.

COLD STORAGE STOCKS OF FROZEN BEEF

There has been a great deal of discussion recently about a "shortage" of manufacturing type beef in the United States. This is mentioned in the preceding paragraphs with respect to the proportion of cuts arriving in the United States. In 1970, we had an interesting phenomenon develop. Generally, in the months of January–April, there is a large drawdown of stocks from cold storage. These stocks of frozen beef are generally of manufacturing quality. Table II shows the cold storage stocks as of the end of each month for the years 1968, 1969, and 1970. Note particularly that as of April 30, 1970, there were nearly 95 million more pounds of beef in cold storage than April 30, 1969, and it was 121 million pounds more in February 1970 than in February 1969.

We contend there was not that much more domestically produced beef available to build up those stocks but that with the sharp rise of imports during the same period of time, there was a deliberate effort on the part of importers to manipulate the manufacturing type beef market. We also maintain that there is no shortage when you are building up stocks and particularly show such a substantial increase in quantities in storage between the two years.

ADEQUATE SUPPLIES DOMESTICALLY

In contrast to what many people say, there are ample quantities of manufacturing or grinding type beef available in the United States. In recent years, we have increased domestic production of beef constantly. Table III shows the increase in cows, the increase in tonnage produced, and the increase in per capita consumption of beef. This growth is nothing short of phenomenal. Every time you increase domestic production it means that there also is more beef available for manufacturing purposes. It makes no difference whether it is from fed beef animals or nonfed beef animals.

We often are reminded that dairy cow population is declining in the United States. This we admit, but the buildup of beef cows has more than replaced the decline of dairy type cows.

Table IV shows the dramatic shift in cow mix that has taken place principally since World War II. About two-thirds of all our cows are beef type—just the opposite of what it was in 1947.

The beef type cows are just as salvagable for manufacturing type beef as are dairy cows. They are just as lean and provide just as much product for use in grinding. As a matter of fact, we calculate that today there is about 8.5 billion pounds of beef available from domestic sources for manufacturing purposes. This compares to about 7.5 billion pounds in 1964, and represents approximately a 13.5-percent increase in available manufacturing beef supplies since 1964 from domestic sources alone. This is in addition to the 9 percent average annual increase of fresh, chilled, and frozen beef imports since 1964.

There is and will continue to be an increase in manufacturing type beef available from domestic sources which can be augmented by imports in reasonable quantities from foreign nations, so that the consuming public will have ample supplies for hamburgers, hot dogs, et cetera.

The American National Cattlemen's Association advocates a continuing gradual domestic growth of production of beef. We think this can be achieved through a delicate balance of supply and demand and through the gradual buildup of beef cow numbers over a sustained period of time. If anything happens which would adversely change the beef cattle business economically or psychologically, domestic production will not come at an increased rate for the consumers to benefit.

U.S. CATTLEMEN DEDICATED TO SUPPLY U.S. CONSUMERS

The domestic beef cattle industry dedicates itself to supply the U.S. consumers with a continued increase in the supplies of all qualities of beef at reasonable prices. But, they will only do so as long as the economic incentive is there for them to accomplish this end. If more imports are permitted entry into the United States than those covered by Public Law 88–482, much of the incentive will be lost and it will be the consumers of the United States who will suffer in the long run.

EXPORT MARKET FOR BEEF

We direct our closing comments to the development of an export market for U.S. produced beef. Frankly, this has been fraught with frustrations principally because of the protectionist attitude of the countries that potentially might even be modest importers of our high quality beef. We are not talking about large quantities. We realize that the export market for our high quality beef is "thin" with the principal outlets probably only in the better hotels and restaurants.

We do find it quite disturbing that countries such as Japan, which seems to want to ship unlimited quantities of other commodities and manufactured goods to the United States, will not permit a greater quantity of U.S. beef into their nation. If we are to have consistency in trade, it seems to us there should be some consideration given to this. This same thing is true with the protectionist policies of the European Common Market countries.

Even the two largest beef exporting countries to the United States do not permit U.S. beef into their countries because of the fear of blue tongue disease. We fully appreciate the fear of the people of New Zealand and Australia and we do not wish to be the cause of any blue tongue gaining entry to their nation's sheep herds. However, we feel the tests and other precautionary measures that can be taken to detect blue tongue virus in animals are adequate to protect this dread sheep disease from infecting their flocks.

SUMMARY

In summary, if we are going to have trade, it has to be a two-way street. We are strongly of the opinion that as trade has affected the U.S. beef cattlemen, it has been a one-way street, except for the exports of hides, tallow, and variety meats which in dollar volume fall far below the value of beef imports. We are hopeful that other nations of the world will assess this in the proper perspective and rather than only asking for more and more beef to be shipped to the United States, they will view the matter on the basis of the opportunity for their citizens to sink their teeth into some of the high quality, wholesome beef produced in the United States.

Thank you.

(The tables accompanying the statement follow:)

TABLE I.—U.S. IMPORTS OF BEEF

[Product weight—In millions of pounds]

Year	Total	Under quota	Outside quota
1958	619.2	333.0	286.2
1959	722.3	524.5	197.8
1960	512.6	413.8	98.8
1961	689.2	569.0	120.2
1962	970.9	860.0	110.9
1963	1,121.6	985.3	136.3
1964	800.4	705.6	94.8
1965	701.0	583.8	117.2
1966	893.3	762.9	130.4
1967	979.0	840.6	138.4
1968	1,128.0	939.0	189.0
1969	1,216.2	1,029.9	186.3

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

TABLE II—FROZEN BEEF IN COLD STORAGE [1]

[As of the last of each month in millions of pounds]

	1968	1969	1970	Change from previous year
January	261,369	265,860	356,540	90,680
February	239,542	256,979	378,300	121,321
March	211,145	261,656	367,260	105,604
April	202,376	254,428	349,355	94,927
May	182,325	234,005		51,730
June	186,769	218,614		31,845
July	200,923	227,203		26,280
August	218,268	254,255		35,987
September	227,454	292,862		65,408
October	251,775	321,888		70,113
November	282,255	320,938		38,683
December	281,549	340,515		58,966

[1] Cold storage reports, Statistical Reporting Service, U.S. Department of Agriculture.

TABLE III.—U.S. CATTLE AND BEEF SITUATION

Year	Total beef cows 2 yrs. and older [1]	Percent of change [1]	Annual change in commercial beef production [2]	Percent of change [2]	Total beef per capita consumption (pounds) [3]	Percent of change [3]	U.S. population [4]	Percent of change [4]
1940	10,676	+6.9	6,948	+2.4	54.9	+0.4	132,594	+1.2
1941	11,366	+6.5	7,858	+13.0	60.9	−11.0	133,894	+1.0
1942	12,578	+10.7	8,592	+9.3	61.2	+.5	135,361	+1.1
1943	13,980	+11.2	8,306	−3.3	53.3	+13.0	137,250	+1.4
1944	15,521	+10.2	8,801	+6.0	55.6	+4.3	138,916	+1.2
1945	16,456	+6.0	9,936	+12.9	59.4	+6.9	140,468	+1.1
1946	16,408	−.3	9,010	−9.3	61.6	+3.7	141,936	+1.1
1947	16,488	+.5	10,096	+12.0	69.6	+13.0	144,698	+1.9
1948	16,010	−.3	8,766	−13.2	63.1	−9.3	147,208	+1.7
1949	15,919	−.6	9,142	+4.3	63.9	+1.3	149,767	+1.7
1950	16,743	+5.2	9,248	+1.2	63.4	−.8	152,271	+1.7
1951	18,526	+10.6	8,549	−7.5	56.1	+11.5	154,878	+1.7
1952	20,863	+12.6	9,377	+9.2	62.2	+10.9	157,553	+1.7
1953	23,291	+11.6	12,055	+29.1	77.6	+24.8	160,184	+1.7
1954	25,050	+7.6	12,601	+4.5	80.1	+3.2	163,026	+1.8
1955	25,659	+2.4	13,213	+4.9	82.0	+2.4	165,931	+1.8
1956	25,371	−1.1	14,090	+6.6	85.4	+4.1	168,903	+1.8
1957	24,534	−3.3	13,852	−1.7	84.6	−.9	171,984	+1.8
1958	24,165	−1.5	12,983	−6.3	80.5	−4.8	174,882	+1.7
1959	25,112	+3.9	13,233	+1.9	81.4	+1.1	177,830	+1.7
1960	26,344	+5.0	14,374	+8.6	85.2	+4.7	180,684	+1.6
1961	27,102	+2.8	14,930	+3.9	88.0	+3.3	183,756	+1.7
1962	28,305	+4.4	14,931	+.1	89.1	+1.3	186,656	+1.6
1963	29,960	+5.9	16,049	+7.5	94.6	+6.3	189,417	+1.5
1964	32,794	+9.5	18,037	+12.4	100.1	+5.8	192,120	+1.4
1965	34,238	+4.4	18,325	+1.6	99.6	−.8	194,590	+1.3
1966	34,433	+.6	19,493	+6.4	104.2	+4.2	196,920	+1.2
1967	34,685	+.7	19,991	+2.6	106.3	+2.0	199,100	+1.1
1968	35,300	+2.1	20,662	+3.4	109.0	+2.5	201,100	+1.0
1969	36,227	+2.3	20,953	+1.4	110.0	+1.0	203,200	+1.0
1970	37,433	+3.2						

[1] Livestock and Meat Statistics, 1962, table 7.
[2] Livestock and Meat Statistics, 1962, table 113.
[3] Livestock and Meat Statistics, 1962, table 209.
[4] Business Statistics, 16th biennial edition, 1967, p. 65.

Mr. McMILLAN. I would like to turn the remaining portion of my time over to Mr. Phillips, since we think there is a potential market for limited quantities of our excellent produced beef in the United States in foreign countries.

Mr. ULLMAN. We will be very happy to hear from you, Fred.

Mr. PHILLIPS. Thank you, sir.

TABLE IV—U.S. COW NUMBERS

[In thousands]

Year	Dairy cows	Beef cows	Year	Dairy cows	Beef cows
1941	25,453	11,366	1956	22,912	25,371
1942	26,313	12,578	1957	22,325	24,534
1943	27,138	13,980	1958	21,265	24,165
1944	27,704	15,521	1959	20,132	25,112
1945	27,770	16,456	1960	19,527	26,344
1946	26,521	16,408	1961	19,271	27,327
1947	25,842	16,488	1962	18,963	28,691
1948	24,615	16,010	1963	18,379	30,589
1949	23,862	15,919	1964	17,647	32,794
1950	23,853	16,743	1965	16,981	34,238
1951	23,568	18,526	1966	15,987	34,433
1952	23,060	20,863	1967	15,198	34,685
1953	23,549	23,291	1968	14,644	35,405
1954	23,896	25,050	1969	13,875	37,433
1955	23,462	25,659			

Source: U.S. Department of Argiculture, annual livestock inventory.

Mr. PHILLIPS. This import and export situation, in our opinion, is a two-way street. We should be able to participate at least to a small degree, not a large degree, in the export market for beef.

We have been told and it has been demonstrated, I participated in a trade mission a little over a year ago, and I have heard reports from food fairs around the world that the American beef is received most enthusiastically by the people. Therefore, we would like to participate in a small degree in the exportation of choice and prime cuts of beef.

The objections that are raised before us—not raised before the beef importing people—is that, for example, in shipping to Japan there is a quota. I think the present Japanese quota now is something like 22,000 metric tons.

Another Japanese restriction is that there is a 25 percent ad valorem duty on meat. The same situation, but not the same figures, exist in the exportation of our meats to the Common Market countries.

So, I think we should all try to help remove these restrictions in the exportation of our beef to the foreign countries.

That concludes my statement, Mr. Chairman.

Mr. ULLMAN. Thank you.

Does that conclude your statement, Mr. McMillan?

Mr. MCMILLAN. Yes, sir.

Mr. ULLMAN. We appreciate very much your statement.

As you well know, this committee was involved in this whole problem a number of years ago and out of it came the Meat Import Act of 1964. We have been quite interested in the progress of that act. You have not dealt in much detail with the Import Act.

Would you say on the whole it has been a stabilizing influence on the meat industry?

Mr. MCMILLAN. Yes, Mr. Chairman; by all means, it has.

May I say also we did not dwell upon the present law in our statement inasmuch as we thought you were more interested in our augmenting the statement we presented in 1968. We were interested more in new materials, etc.

The law that you and other members of the committee were very helpful in enacting in 1964 has been a stabilizing influence. We think, however, that loopholes being closed would provide even a more stabilizing influence.

We also feel that the reasonable protection that the law does afford assists in providing the opportunity for increasing domestic beef supplies which, of course, would be beneficial to the consumer and the overall economy of the United States.

Mr. ULLMAN. Would you enumerate one, two, three, the recommended changes that are included in the bill that I have introduced?

Mr. MCMILLAN. Yes, sir.

The changes do this: Quarterly quotas which we have discussed in our statement today would be a part of the law.

Another amendment would be the inclusion of canned, cooked, and cured which would help close the loopholes that do exist.

A new base period for the stability of quotas would be determined.

Instead of the present 1959 through 1963 levels, the changes would include the base years of 1958 through 1962.

Another change would be the inclusion of offshore purchases. This only occurs in those instances where in combat zones there is the opportunity for the purchase of beef or any other meats by the Defense Department from foreign countries.

We are only asking that since it is a part of the "Buy American" Act, purchases would be included in the total of imports into the United States.

The final amendment would make the trigger point and quota synonymous.

Mr. ULLMAN. You are in the cattle business, Fred. What is the situation in the cattle market today on various categories of beef?

Mr. PHILLIPS. The live cattle market is not a rising market. It is sort of stabilized at the present time. It is what we might class right now as a rather "soft" market.

Mr. ULLMAN. It is not certainly at the peaks that we have seen it at times in the past.

Mr. PHILLIPS. That is right. It is not accelerating in price at all like it did in reference to a year ago.

Mr. ULLMAN. What is the significance, Mr. McMillan, of the increased cold storage supplies of imported foreign chilled and frozen beef?

Mr. MCMILLAN. Of course, it is difficult to find out just exactly who does have this product in storage. But the significance we attach to the increase in frozen beef in storage is the fact that domestic supplies were not that much greater this year than they were a year ago.

The significance is that there was a sharp increase in imports coincidental with the months where we do have increased cold storage stocks this year versus a year ago. Therefore, we are of the opinion that most of the increase—maybe all of the increase—was the imported product being put into storage to hold off the market, perhaps to artifically raised the market for lean boneless beef, and make it look as though there was a so-called shortage of the beef in the United States.

Mr. ULLMAN. Frozen beef does come under the voluntary quota arrangement of the Meat Import Act?

Mr. MCMILLAN. Yes, sir.

Mr. ULLMAN. Have we come close to triggering quotas under that program?

Mr. McMillan. Yes. As a matter of fact, the final figures for 1969 came within about 10 million pounds of triggering the quotas in 1969. This is in the face of the voluntary agreements that were worked out.

In 1970, the voluntary agreement with the principal exporting countries is at a point approximately 6 percent above the quota levels, or, putting it a different way, approximately 4 percent under the trigger point. This is getting to be a pretty fine line when you are dealing with those small percentages.

Mr. Ullman. But it does show that the program does work.

Mr. McMillan. Yes, sir.

Mr. Ullman. Because when they approach the triggering device, then they restrict their exports of beef.

Mr. McMillan. That is true, Mr. Chairman.

Significantly, the law that we do have on the books is providing the vehicle by which these voluntary agreements could be reached.

It occurred to me the other amendment in your bill is one which would make the trigger point and the quota synonymous.

Mr. Ullman. Thank you.

Mr. Schneebeli.

Mr. Schneebeli. Mr. McMillan, in discussing the growth of imports of the choice cuts, the better type of beef, you said we have reason to believe that it has grown to such proportions that they make up 40 percent of all our beef imports in the United States.

Do you have any figures to substantiate the fact that 40 percent of our imports are in the choice area?

Mr. McMillan. No, Mr. Schneebeli.

First of all, I think it should be made clear that even though this product might be cuts, it would not be comparable to our choice quality beef.

Mr. Schneebeli. I think the inference was that the growth of choice cuts being imported were impinging on our better market.

Mr. McMillan. They are more directly competitive; that is correct.

Mr. Schneebeli. With our better grade of beef; is that what you mean here?

Mr. McMillan. Yes.

Mr. Schneebeli. Do you have any figures to indicate that 40 percent of our imports are in the better type of beef?

Mr. McMillan. No; we do not. This is the purpose of the joint study by the Agricultural Department and the Tariff Commission, to determine what the makeup is of the imports coming in, what proportion actually are cuts.

Mr. Schneebeli. I should think they almost could get that from the price of beef coming in, could they not? This would not seem to be so difficult to determine.

Mr. McMillan. Apparently it is and they are having a little more difficult than they anticipated in determining within a degree of accuracy.

Mr. Schneebeli. You were talking about changing the base period from 1959–63 to 1958–62. I presume this would result in a reduction of your quota.

Mr. McMillan. Approximately a 10-percent reduction.

Mr. Collier. Where does most of this come from? Canada and South America?

Mr. McMILLAN. Of the fresh, chilled and frozen?

Mr. COLLIER. The better grade of cuts.

Mr. McMILLAN. Perhaps the higher proportion of cuts would originate from countries such as Canada, Ireland, Central American countries and New Zealand. Australia would be more dominant in terms of manufacturing or grinding quality beef.

Australia, however, in this context, accounts for approximately 50 percent of the fresh, chilled and frozen beef imports into the United States.

Mr. COLLIER. Then it would be that Latin America and Canada would be the prime exporters?

Mr. McMILLAN. On a proportionate basis, I would say you are probably correct.

But we are hopeful that the joint study by the Tariff Commission and the U.S. Department of Agriculture reveal in more finite terms, not only the mix but also the origin of it.

Mr. COLLIER. Thank you.

The CHAIRMAN. Any further questions?

If not, again we thank you, Mr. McMillan, for coming, and also Mr. Phillips, for accompanying Mr. McMillan.

The Chair desires to break into the schedule of witnesses momentarily and call to the witness table Mr. Nelson Stitt.

We are following this unusual procedure in view of action that occurred earlier this morning in the committee, in order to give Mr. Stitt an opportunity to respond to the statements that were made, and to enlighten us with respect to the situation.

[The proceedings which occurred at this point, relative to the appearance of Mr. Nelson Stitt and his reappearance, appear in part 4, page 1126 of this printed hearing, on May 19, following Mr. Stitt's originally scheduled appearance. This testimony was printed at that point in accordance with a unanimous consent agreement.]

The CHAIRMAN. Without objection, the committee will recess until 2 p.m. this afternoon.

(Whereupon, at 12:25 p.m. the committee recessed, to reconvene at 2 p.m. of the same day.)

AFTERNOON SESSION

Mr. BURLESON (presiding). The committee will come to order.

The first witness this afternoon is Mr. John E. Ward, chairman of the Meat Importers' Council.

Will you come around, please, sir?

STATEMENT OF DONN N. BENT, ATTORNEY ON BEHALF OF JOHN E. WARD, CHAIRMAN, MEAT IMPORTERS ASSOCIATION

Mr. BENT. Good morning, Mr. Chairman.

I first have to tell you I am not Mr. John Ward. My name is Donn Bent. I am an attorney with Barnes, Richardson & Colburn, the law firm which represents Mr. Ward and the Meat Importers' Council.

I will take only a minute of the committee's time. My purpose is, with your permission, to submit Mr. Ward's written statement for inclusion in the record in lieu of his personal appearance.

Mr. BURLESON. Without objection, it is so ordered. Just have a seat, Mr. Bent.

Mr. BENT. Thank you very much, sir.

(The prepared statement referred to follows:)

PREPARED STATEMENT OF JOHN E. WARD, CHAIRMAN, MEAT IMPORTERS' COUNCIL OF AMERICA, INC.

INTRODUCTION

The Meat Importers' Council of America, Inc. (MIC) is a nonprofit trade association composed of over seventy-five regular and associate members, all of whom are actively engaged in the importation, sale, handling or use of imported fresh frozen meat. We urge the Committee to adopt the President's trade program as set forth in H.R. 14870 and register vigorous opposition to H.R. 17540 and similar measures designed to further restrict imported meat and meat food products.

In June, 1968 the MIC testified before this Committee and filed a written brief setting forth basic facts supporting the need for free trade in meat imports. At that time we sought to establish that passage of then pending quota proposals applicable to imported meats would not aid U.S. cattlemen and feeders and would be to the detriment of American consumers as well as other segments of the U.S. meat and meat food industries who rely on adequate supplies of imported lean manufacturing meat. Since 1968 history has verified our position. We now submit to you again our urgent appeal to avoid any special-interest legislation such as new quota schemes increasing restrictions for imported meats. Furthermore, it is believed that occurrences since 1968 demonstrate that the present meat import quota law, Public Law 88–482, has disserved the national interest by creating artificial U.S. market conditions at a time when available supplies of lean manufacturing grade meats have been, and will continue to be, inadequate to meet the needs of our consuming public.

THE NATURE OF IMPORTED BEEF

Notwithstanding requests submitted to Congress by cattlemen and feeders, it is clear that imported manufacturing beef does not directly compete with high-quality, grain-fed table beef produced by the domestic beef industry.

The United States Department of Agriculture stated in May, 1969 (*Livestock and Meat Situation*, p. 19):

"Boneless beef imports are similar to and supplement the declining supply of U.S. produced cow beef. Both are used mainly in hamburger and processed meat products. Australia and New Zealand are the principal suppliers.

"Imports of carcass beef and bone-in cuts are very small compared with boneless beef imports. . . ."

The same publication for May, 1970 states at page 19:

"[Boneless fresh or frozen beef] is similar to domestic cow beef and is used similarly, mainly in hamburger and processed meat products. . . . [In 1969] boneless beef imports amounted to 1,349 million pounds (carcass weight equivalent), 84 percent of beef imports, and more than three-fifths of total red meat imports. Imports of fresh or frozen bone-in beef totaled 19.6 million pounds, only a little over 1 percent of total beef imports."

Certain domestic protectionist interests contend that table cuts are imported in significant quantities, estimated by them to be 40% of total imports! This statistic is totally without foundation. Spokesmen for such interests have latched on to this argument in, we believe, an attempt to divert attention from the fact that manufacturing grade meat is absolutely essential to continued modestly priced convenience food products such as hamburgers, sausages, etc. At this time the U.S. Tariff Commission is undertaking an investigation pursuant to Section 332 of the Tariff Act of 1930 to review the meat industry, including, we understand, the extent to which imports enter into manufacturing of meat products in the U.S.A. The MIC welcomes this investigation because it will further prove the dangers inherent in continuing restriction of imported meat.

Imported fresh frozen beef is a lean, grass-fed variety distinctly different from grain-fed beef produced in the Untied States and used for table cuts such as steaks and roasts.

The bulk of imported fresh frozen beef is used strictly for grinding, i.e., combination with other materials to produce hamburger, sausage, etc., and virtually all imported fresh frozen beef not used in grinding is subjected to some form of manufacturing or processing operations in the United States.

DECLINING AND UNRELIABLE SUPPLIES OF DOMESTIC COW AND BULL MEAT RESULT IN INSUFFICIENT SOURCE OF MANUFACTURING BEEF

The growing shortage of lean manufacturing beef available in the U.S.A. is recognized by all objective meat industry analysts. This Committee in particular has been beieged by certain cattle interests who refuse to recognize this fact and who claim that all imported red meat displaces domestic production. Imported beef displaces domestic production no more than does poultry, macaroni, fish, or anything else consumers eat when they are not eating domestic high quality steaks and roasts.

The principal domestic source of manufacturing meat is cows (dairy and beef) and bulls. These animals are not raised primarily for beef, but for dairy purposes and the raising of beef steers and heifers. The cow and bull source of manufacturing beef is essentially undependable because such meat is a by-product. The supply rises and falls as a direct result of production practices in the dairy and table beef industries. It is not controlled by consumer demand for manufacturing beef. Thus, beef producers tend to hold back slaughter of beef cows at times when they are expanding herds of beef steers and heifers for grain feeding (as they are doing right now). This source of manufacturing beef has been in general decline for the past 5 years, and except for radical short-term fluctuations, has not changed materially for 25 years, despite the fact that our population has increased by well over one third. (See Appendix Table I, Column I and Table II.)

In 1969, total production from this source equalled 2,668 million pounds (boneless basis). It is estimated that this production will show a decline of around 4½% during 1970. Actual figures are already available for the first quarter of 1970, showing production down 7½% from the comparable period in 1969. The current general decline may be expected to continue at least through 1972.

MANUFACTURING BEEF SHORTAGES HAVE RESULTED IN INCREASED U.S. WHOLESALE PRICES

It is axiomatic that short supplies of high demand consumer products result in chronic shortages accompanied by inflated price levels. Because of the short supply of manufacturing meat due, in major part, to the unnatural market conditions resulting from threats of quotas under P.L. 88–482, quotations for cow meat in the domestic market increased 7¢ per pound (about 13%) over a period of one year, even though imports rose moderately.* Indeed, for the first time in history, wholesale prices paid for low-grade canner and cutter cow carcasses have been running *higher* than prices for good grade steer and heifer carcasses. Occasionally, these canner and cutter cow prices have actually surpassed prices for choice steer carcasses.

Viewed in terms of the uses to which they are put, imports are directly competitive only with cow and bull beef. For all practical purposes, imported fresh frozen beef and domestic cow and bull beef are fungible or commercially interchangeable commodities. Added together, imported frozen manufacturing beef plus domestic cow and bull constitute the basic U.S. supply of lean processing beef.

MANUFACTURING BEEF FROM STEERS AND HEIFERS IS NOT THE SOLUTION

In addition to the lean processing beef derived from domestic cows and bulls plus imports, there is one other important domestic source of supply of meat for manufactured products: fat trimmings, sometimes called "belly cuts," from high-quality, grain-fed steers and heifers. These are the left-over portions of the beef carcass after removal of salable retail beef cuts, and are much too fat to be used by themselves in making manufactured products. The fat-lean ratio is just about 50–50 and the lean may not be economically separated from the fat.

*Monthly averages for 90% lean boneless beef (domestic) Chicago carlot basis: March, 1969—$56.13; April, 1969—$57.60; March, 1970—$63.38; April, 1970—$64.50. (As published by The National Provisioner.)

In order to be utilized, trimmings must be "leaned up" with low-fat domestic or imported beef which have a fat content of only ten to fifteen percent. For 100 pounds of belly cuts, it takes about 132 pounds of 85% lean beef to produce hamburger which does not exceed the legal maximum 30% fat content. To reduce the fat content to 20%, the legal limit for "ground beef", it takes 610 pounds of such lean beef.

Because U.S. production of high-quality beef steers and heifers has steadily increased, these fat trimmings have, of course, increased as well (Column II, Table I, Appendix). But, as Column III of the Appendix shows, since 1965 this increase has not even been sufficient to offset declines in domestic cow and bull beef production.

For years the MIC has maintained that, far from injuring domestic beef producers by direct competition, imports actually benefit U.S. producers of table beef by supplying lean material which is necessary for their fat trimmings or "belly cuts" to be upgraded into salable products. (This point was made at pages 23 and 25 of our brief before this Committee of June 24, 1968.)

The U.S. beef industry has committed itself to continuing specialization by raising high-quality, grain-fed animals. In this area, it has enjoyed tremendous success virtually doubling production in fifteen years. But there is no quantity of fatty by-products, no matter how large, that can ever satisfy America's needs for manufacturing beef. As the cattlemen continue specializing, the gap between lean beef supply (domestic cow and bull plus imports) and fed beef becomes greater and greater. Without sufficient lean beef for combination, unusable excesses of fat trimmings will necessarily cause prices received by cattlemen to decline or, at least, fall short of potential return.

This is occurring at the present time, and a significant "cheapening" of fat belly cuts and trimmings may be currently observed. To demonstrate this, we set out below prices taken from The National Provisioner Daily Market Service for March 16 and June 5, 1970 for fat materials (full plates, navels, briskets, rough flanks and 50% lean trimmings) and 90% lean boneless beef:

[Prices in cents per pound]

	Mar. 16, 1970	June 5, 1970
Fatbelly cuts and trimmings:		
Full plates	29	22¼
Navels	25	20¼
Briskets	33¾	26¾
Rough flanks	24	20¾
50 percent lean trimmings	31¾	25
Boneless beef, 90 percent lean	63½	63

During April, 1970, 50% lean trimmings from choice navels rose to around 35½¢ per pound, up to only 1½¢ from a year earlier, while 90% boneless beef averaged $64.50 per hundreweight—up nearly $7.00 from the April 1969 average of $57.60.

The shortage of lean beef with which to mix the fatter materials was clearly a major factor in the relative weakness of prices for fat belly cuts and trimmings. It is believed in the industry, and is logical to assume (though no actual statstics are available) that excessive quantities of domestic fat belly cuts and trimmings are largely responsible for very high cold storage warehouse stocks in recent months.

Disproportionate supplies of fatty trimmings may help the consumer by reducing the prices for soap and candles. But they won't help by reducing overall cost of materials for the meat processor.

Divergent opinons have been expressed as to the appropriate percentage of beef steer and heifer carcasses which constitute usable fat trimmings. U.S. producers and feeders have gone on record that as much as 26% of the average carcass is used in processing and manufacturing. This figure tends to distort actual percentages of fat trimmings available for meat production by the inclusion of bones, unusable kidney fat and waste. Any price and supply statistics for manufacturing meats based on such a fallacy are in error.

A more accurate figure for usable fat trimmings is 12–14% of carcass weight, or about 9% of live weight.

THE U.S. MARKET FOR LEAN MANUFACTURING BEEF SHOULD BE RETURNED TO A NORMAL STATE BY REPEAL OF PUBLIC LAW 88–482

Since 1964, Public Law 88-482 has menaced U.S. manufacturers of meat food products, food market chains, importers and brokers with the constant threat that increasing imports of sorely needed products to meet demand would trigger a quota which in turn would result in a substantial cutback in available supplies. During this same period of time the domestic cattle cycle has, as it has for generations, continued to reach peaks and valleys of production and profitability, without regard to meat imports.

Concurrently, domestic and import prices paid for manufacturing beef have risen sharply. Importers and users of lean manufatcuring beef continue to compete hotly for limited available supplies of raw materials while Mrs. Housewife—the American consumer—finds herself paying skyrocketing prices in support of an artificial market condition created by an Act of Congress which has benefited no one.

CONCLUSION

During the course of these hearings by the Committee on Ways and Means many proponents of restrictive legislation have based their arguments on so-called "unfair" competition from low-wage countries. Repeatedly, these witnesses have suggested that quotas or orderly marketing arrangements for certain imported products would allow the United States industries competing therewith to recover and compete on a normal basis. In the case of manufacturing grade meat, normality is currently a dead letter because of the adoption of just such a misguided panacea.

We believe that the President's Trade Bill provides ample protection for U.S. industries while at the same time furthers the best interests of the United States continuing historic trade policy. Accordingly, we support H.R. 14870.

The Meat Importers' Council of America, Inc. respectfully submits that all proposals designed further to restrict imported meat are now obsolete due to the consumers' unsatisfied needs for modestly priced and freely available meat food products manufactured from domestic and imported lean meats. It is estimated than even if current quota controls were removed completely for the year 1970 only about 200 million pounds additional manufacturing meat could be found in the world marketplace. If it were possible to obtain these supplies, which are badly needed, we predict that there would be an immediate and direct impact on wholesale prices for imported meat and a similar effect on the retail prices paid by consumers for manufactured products such as hamburgers and sausages. We predict further that the decrease in wholesale prices for imported meat, should the voluntary scheme and quota system set forth under Public Law 88–482 be suspended, would be around 5¢ per pound and that the decrease in comparable U.S. canner and cutter grades would be somewhat less, possibly 1–2¢ per pound. There would be virtually no price depressing effect on wholesale prices paid for U.S. good, choice and better carcasses.

For the foregoing reasons we urge that supplies be allowed to equal demand and that members of this Committee undertake to modify or repeal existing law and oppose any further quota measures for meat and meat products.

In 1964, the year Public Law 88–482 was enacted, average retail prices for ground beef and frankfurters (as reported by 40 regional and national chain stores) were 74¢ and 62.4¢ per pound respectively. In the third quarter of 1969 the price for ground beef was steady at a high of 66¢ per pound, a 40 percent increase, while the average September price for frankfurters rose 31 percent to 82.1¢ per pound. Earlier this year, (not the period of peak demand) prices were maintained at less than 1¢ per pound below the records cited above and are virtually certain to set new record highs before this summer is over. A major cause of this price trend is the shortage of lean beef from which hamburgers, frankfurters and similar food products are manufactured.

It is, of course, a fact that the strict quota set forth in Public Law 88–482 has never technically been "triggered." At first this was because allowable imports were well below the trigger point. Since 1968, however, technical triggering of the quota has been avoided only by voluntary self-imposed limitations of exports by principal supplying countries. The law has operated to keep out badly needed meat since 1968 and has brought about shortages which in turn have driven up wholesale prices. The "surcharges" brought about by special interest quota legislation and laws such as Public Law 88–842 are borne by those who can least afford to pay—the low and middle income consumers.

Imports of lean fresh, frozen beef first became substantial during the period 1957–59 when domestic production declined sharply (see Appendix Table I). Until 1968, imports freely rose and fell in inverse proportion to domestic production, permitting a generally orderly and steadily increase in total supply. Since 1968, however, demand has exceeded maximum permissible imports under the quota law. Thus, under the present law and current insufficient U.S. supplies, imports may no longer act as the necessary supplement to U.S. production. Short supplies and sharply increased prices are the result.

U.S. production of lean manufacturing beef will decline significantly during the next few years. American usage of such meat (whether domestic or imported) has increased, in absolute terms, an average of about 2½ percent per year for several decades. In order to satisfy a constant increase of 2½ percent per year in supplies, increased imports of between 200 to 300 million pounds per year will be required. Yet, under the present quota law, annual increases in allowable imports have not, and will not, average as much as 30 million pounds per year.

If the threat of a strict quota under current statutory provisions has created an unnatural and inflated market for manufacturing meat in the U.S.A., Congress must, we submit, recognize the lesson of history and reject any attempts to limit further available supplies by means of so-called "orderly marketing" or quota schemes for imported meat and meat food products. Vigorous lobbying by the cattlemen and other vested interests seek to mask the sleeping rebellion of the consuming public.

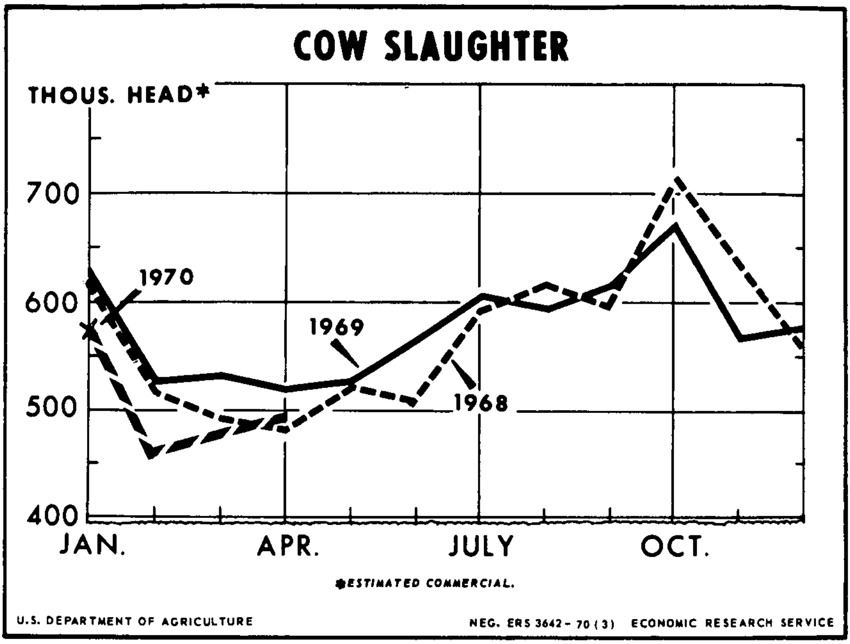
APPENDIX TABLE I—BASIC U.S. SUPPLY OF MANUFACTURING BEEF[1]

Year	Cow & bull beef[2] (1)	Belly cuts[3] (2)	Domestic production[4] (3)	Imports[5] (4)	Domestic supply[6] (5)
1946	2,500	485	2,985		
1947	2,884	521	3,405		
1948	2,573	451	3,024	70	3,094
1949	2,101	545	2,646	77	2,723
1950	2,236	536	2,772	62	2,834
1951	2,122	444	2,566	87	2,653
1952	2,101	545	2,646	72	2,718
1953	2,745	712	3,457	27	3,484
1954	2,976	731	3,707	16	3,723
1955	3,144	754	3,898	26	3,924
1956	3,118	847	3,965	31	3,996
1957	3,072	850	3,922	121	4,043
1958	2,314	852	3,166	345	3,511
1959	1,959	917	2,876	508	3,384
1960	2,217	1,002	3,219	399	3,618
1961	1,981	1,065	3,046	553	3,599
1962	2,066	1,056	3,122	838	3,960
1963	1,966	1,157	3,123	960	4,083
1964	2,400	1,261	3,661	679	4,340
1965	2,984	1,225	4,209	584	4,793
1966	2,840	1,347	4,187	762	4,949
1967	2,614	1,411	4,025	811	4,836
1968	2,575	1,480	4,055	939	4,994
1969	2,668	1,502	4,170	1,004	5,174
1970	E 2,550	E 1,550	E 4,100	[7] 1,040	5,140
1971	E 2,420	E 1,590	E 4,010	[7] 1,055	5,065

[1] All figures in millions of pounds, boneless basis.
[2] Total commercial production from USDA figures.
[3] Calculated from USDA figures for steer and heifer carcass weight.
[4] Col. 1 plus col. 2.
[5] Fresh, chilled, and frozen beef from Department of Commerce figures.
[6] Col. 3 plus col. 4.
[7] Estimated, on assumption that Public Law 88–482 remains in effect.

APPENDIX

TABLE II



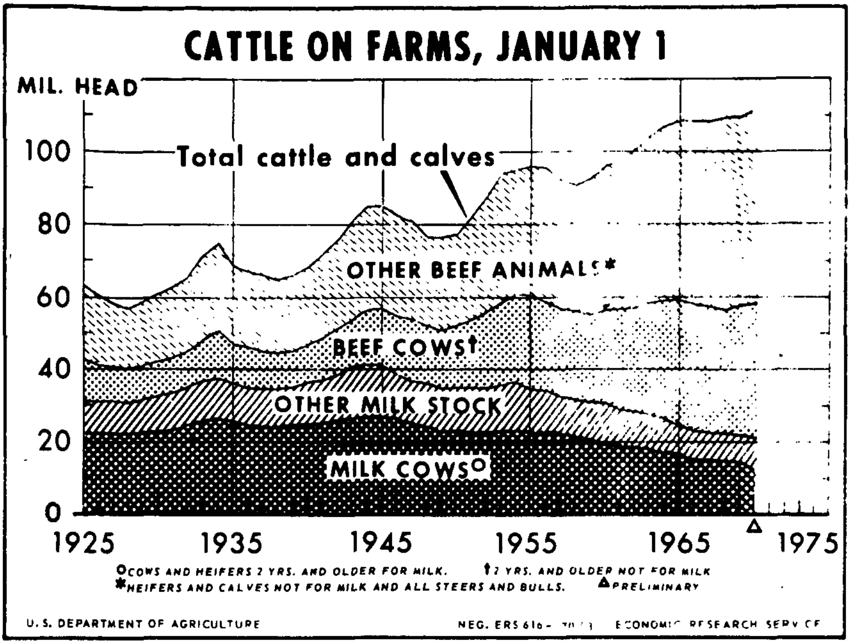
COW SLAUGHTER DOWN, PRICES HIGHER

In the face of a ten percent decrease in cow slaughter during January–March 1970, as compared to the same period a year ago, prices on utility cows advanced sharply to $23.75, about $2.60 above a year earlier. This likely reflects the significant drop in the slaughter of dairy cows, which make up the bulk of cow slaughter in the winter and spring. The USDA predicts that the slaughter of dairy cows will continue downward in 1970, with slaughter of beef cows expected to be near 1969 levels. This reduced supply of cows for slaughter should result in prices well above a year earlier for the balance of 1970. As cow slaughter is a primary source of manufacturing meat, a reduction in its level will result in further shortages, as other sources cannot compensate for the reduction.

Source: U.S. Department of Agriculture *Livestock and Meat Situation,* March and May, 1970. April 1970 slaughter estimated from USDA figures.

APPENDIX

TABLE III



COW INVENTORY STEADY

The total inventory of cattle and calves on farms was at an alltime high of 112 million head at the beginning of this year, with a beef herd of 91 million head and a dairy herd of 21 million head. The beef herd has been expanding every year since 1958, and last year increased by nearly 3 million head. The dairy herd, following a pattern of steady decline in numbers since 1945, decreased 421,000 head in the past year.

The increase in beef cows since 1955 has been offset by the decrease in milk cows and other milk stock, so that this major domestic source of manufacturing meat has remained relatively constant since 1955.

Source: U.S. Department of Agriculture *Livestock and Meat Situation,* March, 1970, p. 5.

Mr. BURLESON. The next witness is Mr. G. L. Hadley, representing the National Livestock Feeders Association. Is Mr. Hadley present?

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Mr. Chairman, Mr. Hadley was to appear with me. I am Don Magdanz of the National Livestock Feeders Association. I am here, but Mr. Hadley is detained.

I am prepared to testify alone instead of in company with Mr. Hadley.

Mr. BURLESON. If you will come around, sir. Do you have a written statement?

Mr. MAGDANZ. I do, sir.

Mr. BURLESON. Would you like to put it in the record and summarize?

Mr. MAGDANZ. I would like to do this, Mr. Chairman, with your permission. I did prepare a summary of the statement. However, I will even forgo going through this summary, which is rather short, and in deference to the committee's time and the other witnesses, since you are running a little bit behind schedule I will be glad to merely ask that the complete text of our statement be included in the record.

Mr. BURLESON. Without objection, it will be done.

Mr. MAGDANZ. I would also like to offer this possibility and you make the decision as to what the committee would like to do.

In the current statement that we have prepared which deals with both general trade policies, but more particularly with the problems created by meat and meat imports, we have referred to two previous statements. Since, I believe April 8, we sent these two previous statements to all members of the Committee on Ways and Means. One of them has to do with general beef supplies and prices; the other one deals with processed beef supplies and prices.

It would please us if the committee would be willing to include these two previous statements in the record along with the regular statement that we have prepared for this hearing.

Mr. BURLESON. Without objection, that will be done. I think it is wise from your standpoint that we do that, because we have a way of getting these statements shuffled around and losing them. Without objection, that will be done.

(The statements referred to follow:)

STATEMENT OF G. L. HADLEY, PRESIDENT, AND DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

SUMMARY

No nation can long exist favorably in this world without engaging in foreign trade and we make it very plain that the National Livestock Feeders Association subscribes to this policy. On the other hand, we profoundly maintain that the United States cannot continue to import various competitive commodities without employing some reasonable restraints that will protect American industry and labor. This is particularly true as most other nations regulate their imports using a variety of standards and methods.

Within the framework of this philosophy, the NFLA has long advocated the dire need to change the course of United States' trade policies. We have supported these contentions in detail on numerous occasions including a documented statement to the Trade Information Committee on March 25, 1968, and in testimony before this Committee on June 4 of the same year.

In addition to our contention for adjustment in trade policy, we have recognized the absolute necessity of import ceilings on many commodities in order to preserve a just a share of our domestic market for United States industries. Whether it is meat, steel, glass, or some other manufactured products, the very simple truth of the matter is that our industry, operating in our cost atmosphere, cannot compete with foreign production which has decidedly lower costs.

We underscore the fact that we are advocating ceilings on imports . . . not closed doors. For years, the United States has embraced a free trade policy while other nations have continued to exercise a variety of trade barriers to control their imports. We feel the time has arrived when the United States must solve the situation realistically by saying to our foreign competitors:

1. We will continue to offer you a share of the United States' market. We are not interested in cutting you back to zero or gradually reducing to nothing your shipments to the United States; but,

2. We are no longer going to permit you to carve up our domestic industries by flooding the United States' market with any volume of goods you choose and whenever you choose to ship them.

Foreign nations cannot fail to recognize the reasonableness of this position if they will re-examine their own actions over the many years, since they have long realized the effect of unrestrained imports on their own industries.

Ceilings on imports would not deny foreign nations the opportunity to earn dollars in order to buy American commodities, either Agricultural or industrial. Agricultural exports from this country have declined since 1966 by about $1 billion dollars because of expanded World Agricultural production and the implementation of restraints by foreign nations, and not because of U.S. trade policies. They will continue to buy Agricultural commodities if they need them, or want them, and if our prices are acceptable.

To avoid injury to the domestic cattle business, the Congress passed the Meat Import Quota Law in 1964. The importance of restraining imports of beef, veal and mutton was clearly evident when cattle prices were seriously depressed in 1963 and beef imports reached the unprecedented level of 10 percent of domestic production.

Until 1969 the effectiveness of P.L. 88–482 was not tested, but it is being tested now, and its deficiencies as well as loopholes are plainly evident. Late in 1968, in order to supplement the provisions of the law, our Government implemented Section 204 of the Agricultural Adjustment Act of 1956 and sought agreements from the supplying nations which would limit their exports to a restrictive annual amount.

Despite the agreements, nearly all nations over-shipped the restricted level in 1969. Thus far in 1970, shipments from most of the 13 nations involved are running considerably ahead of the restricted level. Imports have been coming in at a projected annual rate of 1,277.1 million pounds, or more than 200 million pounds above the agreed amount.

It would appear, at least, that a number of the countries are ignoring the generous allotments that have been awarded under the agreements. It is also apparent from the record of shipments so far that some countries either do not intend to abide by their agreements, or hope to pressure the United States into further relaxation of agreed levels.

In addition to heavier shipments in early 1970, suppliers have made a change in the complexion of exported beef. At least 25 percent is now coming into the U.S. in primal cut form instead of strictly boneless beef for processing purposes. Another device being employed by some countries in an attempt to circumvent our law is the practice of trans-shipments through a third country.

These and other transparent maneuvers underscore the necessity tightening up the provisions of P.L. 88–482. The replacement of standby quotas with absolute ceilings on imports, and the establishment of these ceilings on a quarterly basis would accomplish much of that which is necessary. Thus, we strongly recommend favorable consideration of H.R. 17540 by Mr. Ullman of this Committee, as well as numerous other like measures which has been introduced in the House of Representatives and Senate.

The financial returns to the domestic cattle industry are extremely sensitive to the supply available and the demand therefore. For some time, the National Livestock Feeders Association has been intense in its effort to counteract a deliberate program designed to influence consumers and officials, and encourage them to bring pressure for the relaxation or even elimination of the present restrictions on beef imports.

During the past several months, members of this Committee have received two documented statements from this Association, one entitled "The Truth About Beef Supplies and Prices", and the other explaining "The Truth About Processed Beef—Supplies and Prices". These statements have substantiated the fact that beef is a bargain as compared to other foods, other costs, consumer goods and services, hourly wages rates, and per capita disposable income. They emphasized that consumers continue to buy more beef for less and explained why we cannot afford and do not need more imported beef.

They went on to demonstrate that the domestic industry can supply necessary increases in production for both population expansion and projected per capita consumption provided competitive foreign beef is not allowed to flood our market and depress prices to the point where incentives for increased production are reduced or eliminated.

We again emphasize the need for adjustments in the foreign trade policies of the United States, not to the extent of major reductions in foreign trade, but to the degree of recognizing the importance of a healthy domestic industry in this Nation's economy, and of preserving for American industry the just portion of our own market to which we are entitled.

INTRODUCTION

For the National Livestock Feeders Association, we compliment the Chairman and the House Committee on Ways and Means for conducting the present series of hearings on Foreign Trade Matters. Also we wish to express our gratitude for the opportunity to appear and present the views and comments of our membership on these important subjects.

Though the Committee is well acquainted with the National Livestock Feeders Association, we would like to describe it briefly for the Record. It is a voluntary non-profit and non-political trade organization, sustained entirely by the membership dues. Those who belong to the organization are engaged in the business of feeding and finishing livestock (cattle, hogs and lambs) for the slaughter market, and they have associated themselves to determine policy, to speak for the feeding industry, and to render such services to the membership that may be necessary and appropriate. Though membership does exist in some twenty states, it is most prominent in the vast midwestern area of the country, a region which still feeds 65 percent of the cattle finished for market in the United States and produces about 75 percent of the hogs.

While addressing remarks in more detail to the problem created by imported meat and meat products, we also want to make some overall observation with respect to the United States foreign trade in general. We do believe that the United States is at a turning point in the history of world trade, and it is necessary for the people and the Congress to appraise the situation very carefully based on past experience as well as anticipated future developments.

No nation can long exist favorably in this world without engaging in foreign trade and we would like to make it very plain that this Association subscribes to such a policy. At no time, have we come forward and promoted the idea of closing the door completely on the importation of any products except when the entire country might be endangered by disease infestations.

On the other hand, it is our our profound belief that the United States cannot continue to import various competitive items and products without employing some reasonable restraints that will protect American industry and labor. These positions will be supported and elaborated upon as we proceed through the various sections of the statement that follows.

PURPOSE OF APPEARANCE AND ARGUMENTS

The livestock business is the major segment of agriculture. Its annual sales grossly exceed those of any other individual farm commodity in agriculture. In 1969 cash receipts of farmers for meat animals came to $17,584 million, 37 percent of total farm marketings which amounted to $47,434 million, not including government payments. In fact, cash receipts from meat animals were almost as much as sales of all crops combined.[1] Furthermore, the good economic health of the livestock business is essential to the entire nation.

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[1] *Farm Income Situation,* Economic Research Service, U.S. Department of Agriculture, February 1970, p. 9.

Though the number of people actually engaged in the livestock business is small, as is the case with most other industries outside of agriculture, its contributions to the overall economy are far reaching. There are millions of people employed in the processing, fabricating, transporting, distributing and retailing of the food from livestock producers and feeders. Furthermore, millions are employed in providing the materials, equipment, and supplies utilized by this segment of agriculture.

Beyond this, livestock puts a value to the vast acres of grassland as well as the production of feed grains and roughages, thus stimulating the business and welfare of people in rural areas, small cities and villages. The economic impact of the industry extends itself into large manufacturing centers, many larger cities and the country as a whole. Approximately 80% of the feed grain used domestically is for the purposes of providing the Nation with meat and meat products in a variety of kinds and quality unknown in the rest of the world.

The perpetuation, growth and development of the livestock business, though, is heavily influenced by United States' foreign trade policies, particularly those pertaining to acceptance of exported meats from foreign nations. We appear today for the purpose of discussing these policies as well as certain general trade matters.

THE NEED TO ADJUST UNITED STATES FOREIGN TRADE POLICIES

The National Livestock Feeders Association has long advocated the dire need to change the course of United States' trade policies. In our arguments before this committee on June 4, 1968, we pointed out the merits of reasonable protection for domestic industry, the failures for agriculture in the Kennedy round of negotiations, and the import protection and import restrictions employed by foreign nations, all in defense of reasonable import control of meat and meat products.

Earlier in 1968—on March 25—we submitted a comprehensive and documented statement to the TRADE INFORMATION COMMITTEE covering the arguments just enumerated, but also relating to overhauling our negotiating process and pointing out the shortcomings of several applicable statutes. Similar, though more confined arguments, were presented to the Senate Committee on Finance on October 18, 1967, at hearings on a bill to revise the quota system on importation of certain meat and meat products.

We see no need to repeat ourselves at this time, but do remind the committee that these documented presentations have been made. Most of the arguments and information, other than recent production and import figures, have not changed. We make no request for including any of these statements in the present record, but do offer to make copies available to any who might like to have them.

ESTABLISHMENT AND MAINTENANCE OF CEILINGS ON IMPORTS

In addition to our contention for adjustment in United States trade policies, the National Livestock Feeders Association has recognized the absolute necessity of ceilings on many items and products in order to preserve U.S. industries as well as levels of employment. Obviously these views are shared by a great many. It is significant that a large number of bills have been introduced in this Congress which would provide for ceilings on imports of various commodities, if and when the import level exceeded a certain historical volume.

It is further significant that the general approach through these bills is similar to that embodied in Public Law 88–482, commonly referred to as the Meat Import Quota Act of 1964. The National Livestock Feeders Association subscribes to and supports the principles contained in the Fair International Trade Act of 1969 represented by some 65 to 70 bills now pending before this Committee. Desirable as this approach may be, though, we submit it has certain deficiencies which will be explained by pointing out deficiencies in the existing Meat Import Quota Act.

Whether it is meat, steel, glass or most any other manufactured product, the very simple truth of the matter is that U.S. industry cannot compete with foreign production which operates at decidedly lower costs. This is particularly true as more and more imports are in the form of manufactured or finished goods instead of raw materials.

The level of the United States' economy, including the tax structure, labor costs and nearly all costs that might be named, is such as to give foreign nations a greater competitive advantage over the United States industry. Even our higher productivity per man hour tends to disappear as productivity improves in foreign nations resulting from technological advancement and mass production methods.

Many commodities coming into the United States as competitive items are produced with wages that would be clearly illegal in the United States as well as being substantially below prevailing levels that have been negotiated.

While consumers may seemingly enjoy the lower prices of imported manufactured goods, and would thus be prone to support present liberal U.S. trade policies, they ignore the hard cold facts that jobs are simply being transferred from the United States' market to foreign nations with generally lower wage rates. This can be tolerated up to a point, but when carried too far—and we submit that we have gone too far already—our domestic economy is crippled and injured.

CEILINGS ON IMPORTS—NOT CLOSED DOORS

The Committee is fully aware of the historical record of tariffs and import restrictions. The Smoot-Hawley Tariff Act which was passed in 1930 has been blamed for many things including the depression of 1929, even though world economic conditions were building up long before. In 1934 the Law was changed and in the following thirty-six years we have proceeded on a course directed toward lower tariffs and fewer restrictions on the premise that free trade among nations would cure many difficulties in the world.

Unfortunately, the free trade policy has been a rather one-sided affair. While we reduced tariffs, other countries granted only those concessions they could easily give up without injuring their own industries and people.

We do have a few import quotas as well as a stand-by quota program for fresh, chilled and frozen beef, veal and mutton. On the other hand, most foreign nations still have and maintain a multitude of nontariff trade barriers which they implement at will.

With respect to meat products and meat animals, these foreign barriers include quotas, import licenses, import certificates, gate price systems, variable health restrictions, outright prohibitions, minimum price controls and others. Thus the United States is not only at a competitive disadvantage resulting from higher cost of production and higher wage rates, but also because the rules of the game are not always the same on both sides.

We submit the necessity of evening the score and from now on insisting on the same rules for both sides in the game of international trade. We further suggest that higher tariffs, adjustment assistance to either industry or labor, and subsidies, are not the answer.

Instead, we submit the solution to the problem realistically lies in the establishment of reasonable ceilings on imported commodities which compete with domestic products according to a historical relationship of imports to domestic production. This is essentially what the Fair International Trade Act would do.

It amounts to saying to our foreign competitors:

1. We will continue to offer you a share of the United States' market. We are not interested in cutting you back to zero or in gradually reducing to nothing your shipments to the United States; but

2. We are no longer going to permit you to carve up our domestic industries by flooding the United States' market with any volume of goods you choose and whenever you choose to ship them.

The fairness and reasonableness of such a position and warning is entirely justified. It encourages foreign trade in a truer sense of the word while still providing access of foreign goods to our U.S. market. To do otherwise amounts to denying domestic industries their rightful share of our own market expansion, and could even cause them to accept a declining proportion of their existing share.

Such action would amount to nothing more than what foreign nations have been doing for years. In fact, it would not be as much. Appreciation and understanding of the necessity of ceilings can be impressed upon them by the suggestion they re-examine their own actions over a long period of years. They have set the examples and should realize fully the undesirable impact of unrestrained imports.

UNITED STATES AGRICULTURE AND WORLD TRADE

It has been argued that for many years the United States has enjoyed a favorable balance of Agricultural trade, and that Agriculture, business and labor alike do benefit from liberalized Agricultural trade. It has been further contended that ceilings on imports of individual products—Agricultural as well as industrial—would seriously injure American Agriculture. There is the additional argument that foreign nations must not be denied the opportunity to earn dollars in order to pay for our Agricultural products, nor should they be provoked into imposing retaliatory restrictions.

We have pointed out previously that many nations have already imposed restrictions in various ways on many U.S. products and still maintain them. By admission of our own Government, the Kennedy Round of Negotiations made little, if any, progress toward eliminating non-tariff barriers imposed by other nations. For them to justify additional barriers to U.S. products as a result of ceilings on U.S. imports is certainly unwarranted if not unthinkable.

Ceilings on U.S. imports would in no way deny foreign nations the opportunity to earn dollars to buy American products. Ceilings do not mean absolute restrictions nor even roll backs, depending on circumstances. Unfortunately, there is a strong tendency on the part of many who advocate free and unlimited access of all foreign products to the U.S. market to confuse ceilings or restraints with absolute prohibition. Nothing could be farther from the truth.

There is no validity to the argument that ceilings on imports would seriously injure the export opportunity for American Agriculture. As a matter of fact, even though the new U.S. ceilings of which we speak have not been in existence, Agricultural exports have declined at least $1 billion since 1966. In 1966 Agricultural exports amounted to $6.9 billion according to the reporting procedure used by our Government. Exports in 1967 declined to $6.4 billion, and registered a further decline in 1968 to $6.2 billion. In calendar year 1969, exports went down to $5.9 billion.[2]

These declines took place, not as a result of import ceilings by the U.S., but because of expanded Agricultural production in other countries of the world, and because other countries have established and maintained trade barriers designed to protect their own production at high prices.

The United States will not improve the situation by maintaining a free and open market as long as other countries hold up their trade barriers and take from us only the quantity of U.S. products they want or need. The real problem is to break down these foreign barriers, but experience demonstrates rather conclusively we can accomplish little by negotiation. The only answer is to adopt some of the same policies.

Foreign nations will continue to buy U.S. Agricultural products if they need them, or want them, and if our prices are acceptable. The latter requires farm programs that will not boost the prices of exportable commodities beyond a certain level. Our current farm programs rely heavily on an export market which means price supports that are not so high that we will price ourselves out of the world market. In the meantime, foreign nations continue to protect high guaranteed prices for their producers.

At this time it would seem appropriate to point out that trade barriers to the importation of certain meat products employed by the European Economic Community and some other trade areas have contributed to the meat import problem the U.S. now has. If the EEC and others would accept some of the meat now available for export by such countries as Australia and New Zealand, the United States would not be subjected to the extensive pressure being applied to breakdown our modest restraints on imports of beef, veal and mutton.

A basic principle of international trade is that commodities move from one nation to another according to needs and supplies. In other words, surplus commodities produced in one nation would move to countries where these commodities are in short supply or do not exist at all.

While realizing that this would be an idealistic situation and amounts to over simplification of what does and can occur in the complexities of world trade, we do have the obligation to domestic industries to be sure the import volume of supplementary or competitive commodities not in short supply does not get out of hand or too far out of balance, and thereby inflict serious injury on any particular commodity or group of commodities.

To minimize or avoid injury to the domestic cattle business the Congress passed the Meat Import Quota Law in 1964. The importance of restraining imports of beef, veal and mutton was clearly evident when cattle prices were seriously depressed in 1963 as beef imports reached the unprecedented level of 10 percent of our domestic production. It is important, though, that the operation of the Meat Import Quota law be examined.

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[2] *Foreign Agricultural Trade of the United States*, Economic Research Service, U.S. Department of Agriculture, March 1969, p. 8, and February 1970, p. 7.

EXPERIENCE WITH PUBLIC LAW 88–482, THE MEAT IMPORT QUOTA ACT OF 1964

It is a fact that the Meat Import Quota Act of 1964 is a ceiling type restraint pertaining to fresh, chilled and frozen beef, veal and mutton. In fact, the Fair International Trade Act of 1969 is patterned after this law.

Seemingly, Public Law 88–482 accomplished its purposes from 1964 through 1968, but during that period at least, there was no real test of its effectiveness. It is now being tested and there is obviously a need to eliminate deficiencies and close loopholes. The table below containing figures on a product weight basis and in millions of pounds, contains data on annual quotas and shipments since 1965.

[In millions of pounds]

Year	Base quota	USDA estimate	Actual shipments
1965	890.1	630.0	613.9
1966	890.1	800.0	823.4
1967	904.6	860.0	894.9
1968	950.3	990.0	1,001.0
1969	988.0	1,035.0	[1] 1,070.6
1970	998.8	[2] 1,061.5	?

[1] Shipments in the aggregate of 1,084,100,000 pounds less rejections of 13,500,000 pounds, leaving net of 1,070,600,000 pounds.
[2] Summation of individual country commitments and/or the voluntary restraint program.

Note that imports did not reach the quota level until 1968. In that year the amount exceeded the estimate of 990 million pounds by 11 million pounds and the extra volume was insufficient to trigger the quotas. In 1968, however, apprehension developed over possible shipments in 1969. In the fall of 1968 a new approach came into play to supplement the provisions of Public Law 88–482.

This new approach embraced Section 204 of the Agricultural Adjustment Act of 1956 which authorized the President to enter into agreements with foreign nations limiting the exports from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom. The Section also authorized the President to issue such regulations governing the entry or withdrawal from warehouses of any such commodity in order to carry out the agreements.

The Administration entered into agreements with supplying nations to restrain their exports in 1969 to a total of 1,035.0 million pounds and each country was allotted a restrictive level. A concession was made by our government to allow a volume above the quota figure of 998.0 million pounds, but below the ten percent trigger level of 1,086.8 million pounds, in return for their acceptance of agreements.

It seemed this approach would be effective, but in the final analysis all nations except Panama, Haiti and Mexico over-shipped the restraint level. An executive order under the agreements was issued against Honduras to stop shipments. However, the order was too late to prevent that country from over-shipping by 6.7 million pounds—nearly 50% above the agreement figure.

Australia then over-shipped 16.5 million pounds, apparently concluding that she was entitled to similar leeway. In the aggregate, the thirteen supplying countries sent us 1,070.6 million pounds of accepted product, which was 33.5 million pounds over the adjusted restraint level of 1,037.1 million pounds in 1969. Actual shipments came to 1,084.1 million pounds, but rejections totaled 13.5 million pounds.

This brings us to the current situation in the early part of 1970.

THE 1970 IMPORT SITUATION

Our government set about to obtain agreements from nations involved to restrain shipments this year to 1,061.5 mil. lbs. Each country was awarded a restraint level based on shipments in previous years. Our latest information reveals that all countries asked to sign agreements have done so except two. One of these has executed an agreement, but language clarifications were pending.

Be that as it may, it is apparent from the record of shipments so far this year that many of the 13 countries involved either do not intend to abide by their agreements, or hope to pressure the United States into further relaxation in the agreed levels. The record provides support for these contentions.

Furthermore, there has been public declaration by persons in Australia, at least, that they intend to make 'approaches' this year seeking to ease the quota restrictions on meat imported by the United States. It is quite obvious that methods employed up to this time to over-ride our restrictions amount to something far beyond approaches.

During the first 4 months of 1970 (imports as of April 30 are latest actual figures available), nine of the thirteen countries overshipped one-third of their annual restrictive level . . . some by substantial amounts. Restrictions were not required or agreed to on a quarterly or four-month basis, but the comparison serves to emphasize the high rate of shipments that have been arriving.

The table on the next page shows the restrictive amount assigned to each country, one-third of the restrictive volume, shipments from each country in the first four months of 1970, and the overage or shortage according to census reports. All figures again are in millions of lbs. and are product weight.

[in millions of pounds]

Country	Restricted amount	⅓ of restricted amount	Shipments in 4 months	Overage or shortage
Australia	527.2	175.7	202.7	+27.0
New Zealand	220.3	73.4	65.0	−8.4
Mexico	68.7	22.9	37.2	+14.3
Ireland	65.5	21.8	27.1	+5.3
Canada	45.0	15.0	25.2	+10.2
United Kingdom	5.0	1.7	1.0	−.7
Nicaragua	39.3	13.1	17.4	+4.3
Guatemala	22.3	7.4	12.0	+4.6
Costa Rica	34.9	11.6	19.7	+8.1
Honduras	14.7	4.9	11.8	+6.9
ominican Republic	11.0	3.7	2.7	−1.0
Panama	5.4	1.8	3.5	+1.7
Haiti	2.2	.7	.4	−.3
Total	1,061.5	353.7	425.7	+72.0

Total volume of imports received in the first four months of 1970 at 425.7 million pounds is 41 percent of the total restricted figures for this year. Collectively countries have overshipped one-third of their annual volume by 72.0 million pounds. Imports under the 1964 law have thus been coming into the United States at a projected annual rate of 1,277.1 million pounds or more than 200 million pounds above the agreed levels.

It would appear, at least, that a number of countries are ignoring the generous allotments that have been awarded under the restrictive agreements. On April 30 Honduras was within 2.9 million pounds of the restricted level of 14.7 million pounds and probably by this time . . . June 11 . . . has either reached 14.7 million pounds or overshipped that amount. Mexico, Guatemala, and Canada, at the same projected rates of shipment earlier this year, would exceed their restricted amounts by August. Costa Rica would reach the level by the end of July. Australia, the largest supplier, would arrive at its restricted level by November.

The projection, based on "the same rate of shipments earlier this year", cannot be precise because monthly shipments as a whole or indiivdually are not regular. As a matter of fact, though, many countries may reach their restricted levels earlier than suggested. In every year since 1965, shipments have been heavier during the middle and latter part of the year.

Moreover, there has been a change in the complection of imports of fresh, chilled and frozen beef. Historically, the product we have received has been strictly boneless beef suitable for grinding and processing, meaning uses were largely for hamburger and manufactured meat products. In recent months, at least some imported beef has been reecived in the form of primal cuts, or bone-in, which beef is not neecssarily being processed. It can be sold as table beef either for use in low-priced restaurants or through retail stores.

It has been reliably concluded that as much as 25 percent of the beef being imported by the United States is now in cut form. Some estimates run higher. While we have always been able to substantiate that manufacturing type beef competes directly with all domestically produced beef, regardless of quality, beef coming to us in cut form competes absolutely and beyond any shadow of doubt. A study is currently underway to determine exactly how much beef is to be shipped to the U.S. in a form other than boneless manufacturing type beef.

Another device is now being employed by some supplying countries in an attempt to circumvent our preesnt law. It is the practice of trans-shipment through a third country. Australia and New Zealand are those primarily engaged in this device at the preesnt time and are trans-shipping through Canada. In 1969 the United States received 18.8 million pounds through this route. Thus far in 1970 we have received about 19 million pounds from Australia and New Zealand through Canada.

After the domestic industry and the United States Government have been most generous and even lenient to these foreign nations, it is not only disappointing, but down-right disguisting, that supplying countries would resort to such devices in what is obviously an attempt to circumvent our law.

All of these transparent maneuvers underscore the necessity of tightening up the provisions of P.L. 88–482. The replacement of standby quotas in the law with absolute ceilings on imports, and the establishment of these ceilings on a quarterly basis would accomplish much of that which is necessary. In fact, we strongly reommend favorable consideration of H.R. 17540, by Mr. Ullman of this Committee, as well as numerous other like measures which have been introduced in the House of Representatives and in the Senate.

ATTEMPTS TO PROPOGANDIZE UNITED STATES CONSUMERS AND THE FEDERAL GOVERNMENT

There is another aspect of the beef business I would like to bring to the attention of the Committee. It involves a planned program deliberately designed to influence domestic consumers and officials, and encourage them to bring pressure for the relaxation or even elimination of the present restrictions on beef imports.

Beginning some time late year, there was another wholesale attack upon the cost of beef even though the record clearly shows that live cattle prices, wholesale beef prices, and even beef at retail, have not risen in price during the past ten years as much as other food items, nor nearly as much as consumer goods and services, hourly wage rates, or per capita disposable income. It is apparent that importers and foreign nations, through their agents, are trying desperately to create alarm in order to gain a bigger slice of the U.S. market at the expense of the American citizens and taxpayers engaged in the domestic cattle industry.

They have made, through publications and otherwise, all sorts of unwarranted, misleading and inaccurate charges designed to build up a case against U.S. restrictions on meat imports. Among the charges are these:

Imported beef is definitely not competitive with American meats;

Meat is imported only when needed;

The value of imported beef is approximately the same as the value of U.S. exports of all meat and meat products;

The U.S. needs to supplement a diminishing domestic production of manufacturing grade meat;

Cattle prices reached the highest in U.S. history; and even that

Inspection of foreign meat is generally more thorough than for domestic ment.

There were others, but it is not our intention to go into detail in refutation of these ill-advised charges at this time. We have already done that. The point is, though, that there has been a certain degree of consumption of the arguments which were designed to perpetrate a hoax on the American consumers and embarrass the Administration.

THE TRUTH ABOUT BEEF SUPPLIES AND BEEF PRICES

Under date of April 8, 1970, the National Livestock Feeders Association made available a documented statement entitled, "The Truth About Beef Supplies and Beef Prices". The members of this Committee, as well as all members of the Congress, received a copy. The many special responses were extremely gratifying, and we were highly complimented by the fact it appeared in the Congressional Record several times.

The statement substantiated the fact that beef is a bargain as compared to other foods, other costs, consumer goods and services, hourly wage rates and weekly earnings, and per capita disposable income. It emphasized that consumers continue to buy more beef for less, and explained why we cannot afford and do not need more imported beef.

It outlined sources of increased beef production in the United States during the next five years, and declared such increases would take place provided there was sufficient price incentive to producers and feeders.

Beyond this, we projected population figures to 1975, as well as per capita consumption, and demonstrated that the domestic industry can supply both increases, and will do so unless competitive foreign beef is allowed to flood our market and depress prices. It has always been very perplexing to us how proponents of increased imports will argue that restricted imports will raise prices while claiming at the same time that more foreign meat in our market will not depress prices.

The document clearly stated that beef production is a business operating in the United States under all the conditions of the United States economy. In this atmosphere we cannot be expected to supply products at low figures when nearly all costs and incomes are inflated. As is the case with most other industries in the United States, neither can we be expected to compete beyond a point with low wage rates and costs prevailing in most supplying countries.

THE TRUTH ABOUT PROCESSED BEEF SUPPLIES AND PRICES

On April 24, 1970, the National Livestock Feeders Association circulated a sequel to its initial statement whch was entitled, "The Truth About Processed Beef—Supplies and Prices". This document was directed toward the production and availability of processing beef about which numerous inaccurate statements had been made, both as to price and volume.

Likewise, a copy was sent to all members of this Committee as well as the members of the Senate Finance Committee and members of the Committee on Agriculture in both Houses of Congress. Responses to our second statement were equally gratifying.

It pointed out the attempt at obvious distortion of the supply and price situation and went into detailed refutation of charges made by the Importers Council of America, Inc., as contained in a booklet published last September. We went on to prove that the actual supply of processing type beef had increased substantially from 1964 to 1969 (8,519 million pounds to 9,953 million pounds) and that the domestic source of manufacturing beef was not drying up as charged. We documented the facts that while the total per capita supply of beef rose from 99.8 lbs. in 1964 to 110.6 lbs. in 1969, the per capita supply of processing beef also went up from 44.3 lbs. to 49.0 lbs.

The claim by proponents of more imports that a shortage of processing beef exists in the United States, is refuted by the fact that over periods of time the price of hamburger and other manufactured products have not risen any more than cuts of beef nor as much as other consumer costs. Furthermore, it was pointed out that the general price of chucks puts a ceiling on the price of hamburger. Had there been any real shortage, the price of hamburger would have gone up materially.

In conclusion, the statement revealed the fact that while imports in the first three months of 1970 ran about 109 million pounds above the first quarter of 1969 and 71.9 million pounds above one-third of the restricted level, frozen beef in cold storage in the U.S. was 101.4 million pounds above a year earlier as of March 31, 1970. Frozen beef in cold storage was 121.3 million pounds above a year ago on February 28 and 90.7 million pounds above last year on January 31. For this record, frozen beef in cold storage amounted to 90.0 million pounds more than a year ago on April 30.

The statement put the question, "If there is such a terrible demand for processed beef (that is not being satisfied), why is this greater volume of frozen beef being held in cold storage?"

CONCLUSION

In conclusion, Mr. Chairman, we again emphasize the need for adjustments in the foreign trade policies of the United States, not to the extent of curtailing foreign trade, but to the degree of recognizing the importance of a healthy domestic industry in this Nation's economy, and of preserving for American industry the major portion of our own market to which we are entitled.

The cattle industry, consisting of both growers and feeders, is among those extremely vulnerable to the devices of outside interests. The actual production of a choice steer commenced some two years ago, and actually was started long before if the time for maturity of a heifer and the gestation period are taken into consideration. Flexibility in production is at a minimum and, besides this limitation, the resulting consumer product is extremely perishable.

Beef has become recognized as the Nation's most popular food. It remains a bargain today, by comparison. The best interests of consumers will be served if policies are embraced which do not injure or cripple the economic well-being of the domestic cattle industry. Without reasonable price incentives, encouragement for expansion and development of beef production will be lacking. Foreign nations can be relied upon to take advantage of our higher price levels, but cannot be relied upon for regular quantities of the kind of beef our people want.

It will be a dark day for this Nation if consumers ever become dependent on foreign production for any appreciable quantity of their basic food supply, or if other countries are allowed to beat down the domestic cattle producers and feeders to the point where increased beef production may be discouraged or even economically impossible.

THE TRUTH ABOUT PROCESSED BEEF SUPPLIES AND PRICES, BY DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

This document is a sequel to that prepared by this Association on April 8, 1970, entitled, "The Truth About Beef Supplies and Beef Prices". Our statement of April 8 referred primarily to total beef supplies and over-all prices as well as the prospect for future production through 1975. This document is directed toward the production and availability of processing beef about which numerous inaccurate statements have been made recently both as to price and volume available.

OBVIOUS DISTORTION OF SUPPLY AND PRICE SITUATION

It is obvious that a determined effort is being made by the Meat Importers Council and by agents for foreign nations to distort the supply and price situation of processing beef in the U.S. In so doing, they are deliberately propagandizing the American consumer for the sole purpose of doing away with the modest import restrictions we now have. If these restrictions are relaxed, supplying nations could then load our market with frozen boneless beef and a relatively few local importers would benefit personally by handling a substantial increase in volume of product.

They obviously have no concern for our domestic beef industry and, while posing as great benefactors to American consumers, they have no concern for the future welfare of consumers. Should the domestic beef industry be crippled to the extent it cannot fulfill future requirements of this Nation as a result of expanded competition from foreign production, the beef supply would be in serious jeopardy since foreign nations could supply neither the quantity or quality of beef desired by the growing and affluent population in the U.S.

In September of 1969 the Meat Importers Council of America, Inc., circulated a booklet entitled, "The Case Against Restrictions on Meat Imports." The booklet is full of misleading statements, twisted analyses and inaccurate conclusions, designed to propagandize the consumers of the U.S. The introduction contains the argument that, "The U.S. needs to supplement a diminishing domestic production of manufacturing-grade meats." The facts and records show that since 1964 we have had an increasing amount of processing meat available to consumers both in absolute quantities and per capita supply.

Seizing upon a short-lived bulge in cattle prices during mid-1969, the booklet refers to, "The highest cattle prices in U.S. history." This rise in price which did occur was of short duration beginning in April and ending the second week in June. Prices then receded to levels that prevailed in the first three months of 1969. Even at the highest point, however, live cattle prices had not reached levels that prevailed in 1952, eighteen years before.

Be that as it may, we wonder what is so wrong about beef cattle prices reaching their highest point in history in 1969. Certainly cattle were not the only commodity that attained highest prices in history during that year, since everything else also set record prices as the general price level climbed. By 1969 we had record hourly wage rates, record disposable income, record prices for consumer services, record payments of Social Security benefits, record welfare payments and the highest figures for practically everything that can be mentioned. How can anyone justify picking out cattle prices and condemn them for reaching the highest level in history, particularly when it was not true.

At another point, the booklet states, "It (imported fresh-frozen beef) is definitely not comparable to or competitive with American meats of higher grade which are used as table beef and classified as 'Prime', 'Choice' and 'Good'. While not necessarily being comparable to the better grades of beef being produced in the U.S., foreign beef is directly competitive with domestic supply because a great deal of processing beef is derived from our better grade animals. Furthermore, not all fed animals are finished to the choice grade and some of them do not even reach good grade. Moreover. processed meat products in the retail counters, such as hamburger or frankfurters, are definitely competitive with steak, ribs and roasts as consumers make their selection according to price as well as their particular needs and desires at the moment.

The argument that imports do not affect fed beef (and thus fed cattle prices) to any degree because such imported products are used primarily in the manufacture of processed products is ridiculous.

Also, the contention imports do not affect fed prices overlooks the very important fact that over one-half of the domestically produced processing meat comes from fed carcasses (See Table 2). This portion of beef available for processing has been steadily increasing, not only because larger numbers of cattle are being fed, but also because the grade standards were relaxed a few years ago requiring less finish for an animal to reach the Good, Choice and even Prime grades.

Beef is its own closest competitor regardless of the form in which it's marketed. Attempts are often made to draw a fine line between the factors which affect the fed market and the so-called cow or processing type market, and to treat these as two separate and distinct markets as far as price is concerned.

Such an analysis is not valid because there is a very definite and intertwined relationship among the various segments of the cattle and beef market. Any factor which affects one class of cattle or beef very definitely does not do so at the exclusion of the other classes. The above conclusion is logical in view of the very real competition between various cuts and/or products in the retail counter and the substitutability among classes of beef.

The unfair competition of foreign beef, however, does not stop with its infringement on the domestic cattle industry. It also competes unfairly in the market for other domestic meat animals and products such as hogs, pork, lamb, as well as domestic poultry and fish.

At another point the booklet argues, "It is largely the drying up of this domestic source of manufacturing meat and the soaring demand for convenience low cost meats which has made the importation of meat necessary." Again the record shows that the supply of manufacturing and processing meat in the U.S. is not drying up, but, as mentioned before, has actually increased. We could go on and on with refutation of statements contained in the booklet; however, that appears unnecessary. Let's examine the facts.

THE ACTUAL SUPPLY OF PROCESSING BEEF

Manufactured or processed beef from domestic production comes largely from two sources. First, there is the production of cow and bull beef, much of which is extremely lean because the animals slaughtered have been produced on grass and not in the feedlot. The other source is that portion of steers and heifers, both fed and non-fed, which is not sold as fresh beef cuts in the retail counter as table beef. Fresh beef cuts largely come from the loins, rounds, ribs and chucks. Much of the remaining parts of the carcass, including the plates, shanks, brisket and trimmings, wind up as ground fresh beef which may be sold as hamburger or is used in other processed products. Even part of the chuck may find its way into hamburger instead of being sold as chuck roasts, since prices of this particular cut are often comparable or close to prices received for hamburger.

Table I contains the figures to show the proceesing beef produced domestically from 1964 through 1969, which volume, when added to imported beef, gives the total supply of processing beef available to U.S. consumers.

TABLE 1,—COMMERCIAL DOMESTIC BEEF PRODUCTION—STEER AND HEIFER BEEF PRODUCTION—COW AND BULL BEEF PRODUCTION—DOMESTIC PROCESSING BEEF PRODUCTION—IMPORTS

[In millions of pounds]

	Total beef production [1]	Steer and heifer beef production [2]	Processing beef from steers and heifers [3]	Cow and bull beef production [2]	Imported beef carcass weight equivalent [1]	Total processing beef
1964	18.456	15.023	3,906	3,433	1,180	8,519
1965	18,693	14,457	3,759	4,270	923	8,952
1966	19,726	15,662	4,072	4,064	1,182	9,318
1967	20,212	16,478	4,284	3,741	1,313	9,338
1968	20,875	17,034	4,429	3,841	1,500	9,770
1969	20,953	17,150	4,459	3,880	1,614	9,953

[1] Livestock and Meat Statistics, Statistical Reporting Service, U.S. Department of Agriculture, Statistical Bulletin No. 333.
[2] Computed from total domestic beef production, steer and heifer slaughter, and cow and bull slaughter.
[3] Computed from domestic production of steer and heifer beef using accepted fact that 26 percent of all steer and heifer beef is used in processing and manufacturing.

The information in Table I clearly shows the increasing volume of processing beef from steers and heifers in the domestic slaughter from 1964 through 1969. In addition, cow and bull beef have been increasing since 1967, although by 1969 had not quite reached the highest figure in 1965. The last column in the table adds the processing beef from steers and heifers, domestic cow and bull meat production, and the volume of imported beef (carcass weight equivalent) to show the total volume of processing beef that has been available to consumers in each of the six years. Note the steady increase from 8,519 million pounds in 1964 to 9,953 million pounds in 1969, an increase of 1,434 million pounds or 16.8%.

Table II below uses some of these same figures to show the per capita supply of beef in the United States as well as the per capita supply of processing beef, including that which is imported.

TABLE II.—PER CAPITA SUPPLY OF DOMESTIC BEEF AND IMPORTED BEEF—PER CAPITA SUPPLY OF PROCESSING BEEF

[In millions of pounds]

	Total beef production [1]	Imported beef, carcass weight equivalent	Total supply (minus exports)	Per capita supply [2]	Total processing beef [3]	Per capita supply processing bee
1964	18,456	1,180	19,545	99.8	8,519	44.3
1965	18,693	923	19,525	99.3	8,925	46.0
1966	19,726	1,182	20,908	104.0	9,318	47.3
1967	20,212	1,313	21,437	105.9	9,338	46.9
1968	20,875	1,500	22,267	109.4	9,770	48.6
1969	20,953	1,614	22,485	110.6	9,953	49.0

[1] Livestock and Meat Statistics, Statistical Reporting Service, U.S. Department of Agriculture, Statistical Bulletin No. 333

[2] National Food Situation, Economic Research Service, U.S. Department of Agriculture, February 1970, p. 15.

[3] From table I.

Note that since 1964 per capita supply of all beef has risen from 99.8 pounds to 110.6 pounds. At the same time, the per capita supply of processing beef has gone up a like percentage from 44.3 pounds to 49 pounds. The contention there is a gap in the supply of processing beef in the United States is an absolute myth and cannot be supported or substantiated.

PROCESS BEEF DEMAND IS "CREATED"

It has sometimes been stated that the principal reason for substantial increases in meat imports in the United States is the increased demand in this country for processed products. It must be realized that this so-called demand is a "created demand" and a large tonnage which has moved from foreign nations is prompted as the result of offering a vast array of processed products to consumers, rather than any specific "call" from consumers for this type of product.

Instead, foreign nations desiring to export beef products have poured them into the United States and, along with the importers of these products, are now trying to convince United States consumers that they need more processed meat. They are also encouraging consumers to insist on the relaxation or elimination of import restraints.

SHORTAGE DOES NOT EXIST

If there is or has been a serious shortage of processing beef in the United States, why has not the retail price of hamburger, for instance, changed much more than prices of table cuts such as sirloin steak or beef ribs. According to Bureau of Labor Statistics the average price of hamburger in the United States during 1968 was 56.1¢ per pound. In August, 1969, when hamburger reached its peak price, the average was 65.6¢ per pound, an increase of 9.5¢ or 16.9%.

The average price of sirloin steak in 1968 was 119.5¢ per pound. During the highest months in 1969, which happened to be July, the average price of sirloin steak in the United States was 141.9¢, an increase of 22.4¢ per pound or 18.8%. If there was such a shortage of processing beef, as has been alleged, why is it that hamburger did not rise much more in price on the average than the example of sirloin steak that has been used.

By February, 1970, the average price of sirloin steak in the United States did come down to 130.9¢ which was 11.4¢ per pound over the average in 1968 or 9.5% higher. The average price of hamburger did hold fairly steady at 65.3¢ per pound or 9.2¢ per pound over 1968, which was 16.4%. It's true that the price of hamburger did not decline as much as certain fresh table cuts, but neither did the price increase as much during the temporary price bulge in 1969.

If there is any validity to the allegation made by proponents for increased imports, why has not the price of hamburger gone up materially to reflect this contended shortage of processing meat? The truth of the matter is the shortage does not exist.

So far we've demonstrated there is no shortage in the normal sources of the supply of processing beef. There is still another source of beef available for sale as hamburger which tends to provide a ceiling on the price of hamburger. We refer to chucks from both steers and heifers.

For quite a number of years, the price of chuck roasts at retail has closely paralleled the retail price of hamburger at figures from 4c to 10c above. Furthermore, most of the time domestic boneless chuck is sold in the wholesale market for less than domestic boneless bull beef and at times is sold for less than imported boneless bull beef.

For example, on August 4, 1969, domestic boneless bull sold at $63.75 per cwt; imported bull beef was $62.50 and domestic boneless chuck was $62.75. On November 3, domestic bull beef was $60.00, imported bull beef was $58.00, and boneless chuck $57.50.

Continuing with examples, on February 2, 1970, domestic bull beef was $65.50, imported bull beef was $61.75, and boneless chuck was $63.50. On April 16, domestic bull beef sold at $68.00; imported bull beef brought $63.75, and domestic boneless chuck sold at $67.00.

CONSUMER DECEPTION

The National Livestock Feeders Association contends that those who are insidiously attempting to bring about relaxation of import restrictions and open the door for increased volume of foreign beef, are perpetrating a hoax on consumers of the United States, and are using it as a device to bring pressure on the Administration. This is a highly organized and carefully planned maneuver that should be stopped cold by complete exposure of the facts.

Table III (See Page 8) containing the record of frozen beef in cold storage at the end of each month since January 1968 vividly exposes the deliberate attempt to falsify the supply situation.

In 1970 foreign nations have been shipping us products (covered by the 1964 Meat Import Law) at the unprecedented annual rate of 1.3 billion pounds. This annual rate contains an estimated volume for March, 1970, of about 100 million pounds.

In so doing, an attempt is being made to show that this high rate of imports has little or no effect on our domestic market. There is more to the situation than meets the eye.

TABLE III.—FROZEN BEEF IN COLD STORAGE[1]

[As of the end of each month]

[Million pounds]

	1968	1969	1970	Change from previous year
January	261.369	265.860	356.540	90.680
February	239.542	256.979	378.300	121.321
March	211.145	261.656	363.012	101.356
April	202.376	254.428		52.052
May	182.325	234.055		51.730
June	186.769	218.614		31.845
July	200.923	227.203		26.280
August	218.268	254.255		35.987
September	227.454	292.862		65.408
October	251.775	321.888		70.113
November	282.255	320.938		38.683
December	281.549	340.515		58.966

[1] Cold Storage Reports, Statistical Reporting Service, U.S. Department of Agriculture, Feb. 1, 1969, through Apr. 1, 1970.

Column 4 of Table III shows the increased volume of frozen beef in cold storage as of the end of each month compared to the same month a year earlier. Note that on January 31, 1970, frozen beef in cold storage was 90.680 million pounds above January 31, 1969. February, 1970, was 121.321 million pounds above a year earlier, and March was 101.356 million pounds higher. Cold storage holdings of frozen beef in the last nine months of 1969 were only modestly above a year earlier with the exception of October which was 70.113 million pounds above 1968.

If there is such a terrific demand for processed beef, why is this much greater volume of frozen beef being held? We submit that frozen beef is being deliberately held out of market channels after it has been recorded as imported, in an attempt to force prices of manufactured products to go up, thus providing more ammunition to use in an effort to repeal the 1964 Act or prevail for the suspension of qutoas once they might be put into effect.

In the opinion of this Association, those who are attempting to hoodwink the consumers of our Nation need to be told bluntly that it is not going to work. Not only are they advancing arguments that do not hold water, there is evidence of a deliberate attempt to force a situation on American consumers that is contrary to actual circumstances. To be equitable to American consumers and the domestic cattle industry, the facts must prevail.

April 8, 1970.

THE TRUTH ABOUT BEEF SUPPLIES AND BEEF PRICES BY DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

With all of the clamor being heard again about beef prices and what appears to be the beginning of another wholesale public attack upon the cost of the Nation's most important food item, it would seem the time has come to state a few hard, cold facts and set the record straight.

As suppliers of the fed animals from which consumers enjoy Choice beef, as well as Good and Prime, it is disgusting that whenever the cattle feeders and cattle growers realize or approach receiving prices for fed animals that allow them a decent return for effort, investment and risks incurred, some persons feel called upon to scream at the top of their lungs about the price of beef.

Sometimes this hue-and-cry comes from individual consumers or small groups of consumers. At other times, it comes from over-zealous writers who apparently are trying to "whip something up".

Through United States citizens registered as foreign lobbyists, foreign nations are trying desperately to create alarm in order to get a bigger piece of the U.S. market for their clients at the expense of American citizens and taxpayers engaged in the domestic cattle industry. U.S. importers are also in on the act. Some manufacturers, who would like to expand markets for their products in the nations who want to ship us more beef, are fanning the fire.

Always the fingers are pointed at high beef prices with apparent disregard for the facts in the case.

Are beef prices high compared to other consumer items, services, wages, taxes, disposable incomes, etc.? The answer must be an emphatic, NO! And there isn't any justification for all of the alegations poured forth from a variety of sources.

BEEF IS STILL A BARGAIN

The evils of inflation have brought about price and cost increases of practically every item we might name. In the past 10 years—since 1960—many of these increases have been substantial. But the price of fed cattle, wholesale beef, and even retail beef, have not nearly kept pace with the rest of the economy.

All that cattle feeders and growers want is a fair shake. They're not getting it and, except for occasional brief periods, haven't realized a return for nearly 20 years commensurate with inflated costs and prices.

Even in mid-year 1969, when cattle prices and wholesale beef did move upward temporarily, the average price of fed steers, Choice grade, at the peak time was slightly less than in 1952—18 years ago. Prices were, for two weeks in June, 1969, about 30 percent above the average in 1960. In less than 4 months, Choice steers were back down to only 10 percent above 1960. Wholesale beef prices declined similarly. Retail beef prices also came down, though not as much. But this is the fourth month of 1970. What is the situation now? It's simply this.

At today's prices, beef is still the best bargain in the food stores. The same was true last summer and fall even though prices were higher than now.

In February 1970 the average price of Choice steers at Chicago was $30.27 per cwt. It was $26.24 in 1960.[1] If Choice steer prices had gone up during the 10 year period and kept pace with the cost of consumer services (less rent), Choice steers would have brought $38.39 per cwt., a figure $8 higher than they actually were, and $4 above the highest average for Choice steers at the peak time last year.

If the average price per lb. of beef at retail had gone up as much since 1960 as these same consumer services, the average cost of beef to the consumer in February would have been $1.18 per lb. instead of the actual 97.4 cents. Sirloin steak would have been selling on the average at about $1.60 per lb. instead of $1.31 and hamburger (not to be confused with ground beef) would have cost 80 cents instead of 64.5 cents (actual figures from Bureau of Labor Statistics, January 1970).

Had Choice steer prices gone up since 1960 as much as the hourly earnings of labor (non-agricultural), Choice steers at Chicago would have sold for $39.54 per cwt. instead of $30.27. If Choice beef at retail had kept pace with these hourly earnings, the average over the nation would have been $1.22 per lb. Sirloin steak would have been selling for at least $1.65 and hamburger at about 83 cents.

In the fourth quarter of 1969 (latest figures available) per capita disposable income in the U.S. stood at $3,172.00, an increase of 63.8 percent from 1960. If the price of Choice steers had moved up relatively, feeders would have been getting $43.00 per cwt. The average price of Choice beef at retail would have been $1.32 per lb. Sirloin steak would have had to bring about $1.80 and hamburger around 89 cents per lb.

A comparison of prices in 1960 to those in February 1970 shows that neither Choice steers, nor Choice beef in the wholesale market, nor even the average price per lb. for Choice beef at retail, have gone up nearly as much as other foods, consumer services, hourly earnings, disposable income, etc.[2]

Choice steers rose from $26.24 per cwt. to $30.27, an increase of 15.3 percent, while per capita disposable income went from $1,937.00 to $3,172.00—an increase of 63.8 percent. The average price per cwt. of Choice beef carcasses at Chicago went from $43.98 to $46.74, an increase of 6.3 percent, while the average hourly earnings of non-agricultural labor went up 50.7 percent and average weekly earnings rose 45.2 percent.

The average price per lb. of Choice beef at retail went from 80.7 cents to 97.4 cents (in the highest month of 1969, the price was only 1.02½), an increase of 20.7 percent, while hourly earnings of labor in the manufacturing industry went up 63.0 percent, and the per capita expenditures for other goods and services went up 67.7 percent.

Meanwhile, still covering a 10-year period, 1960 to February 1970,

Average consumer price index—all items—went up 28.5 percent.
Average cost of all food purchased by consumers, up 29.6 percent.
Average cost of all consumer services rose 41.4 percent.
Average cost of consumer services, less rent, up 46.3 percent.
Average hourly earnings, non-agricultural, went up 50.7 percent.
Average hourly earnings of labor, manufacturing, up 45.1 percent.
Average hourly earnings of labor, construction, up 63.0 percent.
Average hourly earnings of labor, retail trade, up 57.9 percent.
Average weekly earnings, non-agricultural labor, up 45.2 percent.

We wonder how anyone can defend a charge that beef prices are too high.

MORE BEEF FOR LESS

But this is not the whole story. The cattle feeding and producing industries, even though often operating in a marginal or submarginal profit climate, increased beef production from 14.75 billion lbs. in 1960[3] to 20.95 billion lbs in 1969,[4] an expansion amounting to 42 percent. On a per capita basis, the industry supplied each man, woman and child in the United States with 103.1 lbs of beef in 1969. Adding 7.5 lbs. of net imports of beef per capita, the total supply per person amounted to 110.6 lbs., an increase of 30.2 percent from the 85.0 lbs. of beef available in 1960.

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[1] See Appendix, Table I, with complete references.
[2] See Appendix, Table I, with complete references.
[3] *Livestock and Meat Situation*, Economic Research Service, USDA, November 1968, p. 26.
[4] *Ibid.*, March 1970, p. 24.

But to buy this increase of 30.2 percent (25.6 lbs. more per person), consumers were able to drop the percentage of disposable income spent for all food from 20.0 percent in 1960 to only 16.4 percent in 1969—3.6 percent less or a decline of 18 percent. Meanwhile, with a 63.8 percent increase in per capita disposable income, they spent 2.5 percent more of it for other goods and services.

In fact, per capita expenditures for food rose $131.00, or 33.8 percent, while expenditures for other goods and services went up $956.00, an increase of 67.7 percent.

At this point it is appropriate to explain differences in domestic production and consumption-per-capita figures since many who argue the meat price case do not differentiate. Production of beef is total dressed weight from U.S. slaughter which, in 1969, was 20.95 billion lbs. Consumption per person figures results from dividing the population into the total supply available, the latter being production plus imports less exports. In 1969 imports of beef amounted to 1.614 billion lbs. (carcass weight equivalent) and exports were 82 million lbs. The resulting total supply available for consumption amounted to 22.485 billion lbs. in 1969. Division by the population of 203.2 million persons in 1969[5] produces per capita consumption of 110.6 lbs. of which 103.1 lbs. was domestic production and 7.5 lbs. was imported beef.[6]

WE CAN'T AFFORD MORE IMPORTS

Obviously, to generate pressure for modification of the 1964 Meat Import Law, doubt is being raised that the beef supply from domestic production will be adequate to meet demand by 1975. In other words, fear is being aroused that there will be a shortage of beef by or before 1975 sending beef prices to much higher levels unless we open the doors for expanded foreign shipments. We challenge these suggestions.

We further contend that such tactics are being used to create a situation that will lower beef prices from present levels even though we have shown clearly that beef prices have not kept pace with other costs and prices and, frankly, are too low now. Suggestions (in the atmosphere of present livestock and beef price relationships) that some new commission be charged with the responsibility of determining future demand and domestic supply, and the volume of foreign meat that should be admitted under these determinations, smack heavily of a move to deliberately lower beef prices to consumers. This is true despite the language in the suggestion that proper recognition be given to a reasonable profit for the domestic beef industry.

In the face of rising costs of production, including labor, taxes, equipment, supplies, services, etc., and increased costs of slaughtering, processing, fabricating, distribution, and sales, we don't see how anyone can expect the domestic industry to furnish quality beef to consumers at lower figures per pound. Particularly is this true when consumers are demanding more services at the meat counter including extra trimming, more boning, and special treatment, and with higher disposable income more of them are wanting the more popular cuts, such as steaks and ribs.

The record will show that the domestic industry has demonstrated it will supply consumers with the quantity of beef they want and need. It is safe to say that the domestic industry will continue this supply in the future, provided consumers are willing to pay what it costs to produce, process, and distribute this supply for them.

At the same time, we suggest certain discouragement among cattle feeders and cattle growers from consumer resistance to what are still reasonable prices for beef. Should such discouragement become wide spread, the industry as a whole may not supply the increases which may be necessary to completely fill the demand of consumers. It is like anything else; industry will furnish the product, but only if consumers are willing to pay the cost.

In order to meet demand in the future, it is obvious that some expansion in beef production will be necessary. There are differences in opinion on how much expansion will be required. Reserving comment on these differences until a later paragraph, let's first look at sources of increases in beef production.

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[5] *Economic Indicators,* prepared for the Joint Economic Committee by the Council of Economic Advisers, March 1970, p. 5.

[6] *Livestock and Meat Situation,* Economic Research Service, USDA, March 1970, p. 24.

WHERE DO WE GET MORE DOMESTIC BEEF?

Expansion in beef production arises from several sources. It results from increasing the number of fed cattle through a reduction in the slaughter of calves and from the reduction in slaughter of non-fed steers and heifers; and finally, from an increase in the production of more cattle (meaning more cows to produce calves).

Since 1960, calf slaughter in the United States has declined from 8,225,000 head [7] to 4,858,400 head [8] in 1969. Most, if not all of these calves found their way to feedlots and produced about 630 lbs. of beef per head instead of about 130 lbs. of veal. It is reasonable to predict that calf slaughter will decline still further to the point where we may be slaughtering only about 2,800,000 head of calves in a given year adding some 2,000,000 head of cattle which will yield about 500 lbs. more beef animal.

In the same year, 1960, the slaughter of non-fed steers and heifers totaled 5,664,000 head.[9] By 1969 this number had been reduced to 3,033,000.[10] Again, these cattle found their way into feedlots and each yielded about 630 lbs. of beef per head instead of about 360 lbs. considering the non-fed animals had been slaughtered at 700 lbs. It is again reasonable to predict from past experience that the number of non-fed steers and heifers in the slaughter will be reduced still further and soon amount to only 2,000,000 head per year. This would throw something over 1,000,000 head of additional cattle into feedlots and a corresponding increase in beef production would result.

In fact we can calculate an approximate amount of increased beef that will result from these two changes in slaughter. Adding 2,000,000 head of cattle to the feeding operation as a result of reduced calf slaughter with 500 lbs. more beef produced per animal above what was produced as veal, we come up with an increase of 1.0 billion lbs. of beef. Likewise, redirecting 1,000,000 head of non-fed steers and heifers into feedlots and realizing 630 lbs. of beef per head instead of 360 lbs., we come up with an additional increase of 270 million lbs. of beef.

These two sources alone, within the space of 1 or 2 years, would add 1.270 billion lbs. of domestic beef for consumers. It is reasonable that these changes will take place very soon based on the pattern in recent years. It's a foregone conclusion, though, that the slaughter of calves will probably never be reduced to zero, nor are we apt to ever feed all of the steers and heifers now produced in the United States. Some of the latter will always be slaughtered as what we call non-feds, although the number in this classification will undoubtedly decline.

As indicated, a third avenue for increased beef production is through the production of more cattle—meaning more cows to raise calves. This source of expanded production requires more time than the other two, but the process is already underway. With rather stable cow numbers on January 1, 1966, 1967, and 1968 of just a few more or less than 50,000,000 head, an increase in cows and heifers two years old and older of 330,000 head took place by January 1, 1969. On January 1, 1970, the estimated inventory of cows rose another 390,000 head to 51,308,000.[11] Increases in these two years represent the first significant change in cow numbers we have seen since about 1964 and is the basis for the previous statement that expansion in the cow herds is already underway.

The change in cow numbers from January 1, 1969 to January 1, 1970, however, was a modest 1.8 percent. We are not suggesting the same rate of increase of cow numbers will take place in the next three years, but a reasonable rate of 1.5 percent would place 53,652,000 head of cows in the inventory on January 1, 1973. Calves from these cows on hand would be reaching the market as fed beef in 1974 and 1975. Such an increase, along with the other changes in patters which have just been reviewed, would easily be sufficient to supply the nation with an adequate amount of beef per capita, and more than is available to them today.

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[7] *Livestock and Meat Statistics*, Economic Research Service, USDA, Statistical Bulletin No. 333, August 1964, p. 64.

[8] *Livestock Slaughter*, Statistical Reporting Service, USDA, December 1969, p. 2.

[9] Calculated from total Slaughter of Cattle in 1960, Ibid., No. 7, of 25,224,000 head, less slaughter of fed marketings and slaughter of cows and bulls.

[10] Calculated from total of cattle in 1969, Ibid., No. 8, of 35,224,000 head, less slaughter of fed marketings and slaughter of cows and bulls.

[11] *Livestock and Meat Situation*, Economic Research Service, USDA, March 1970, p. 6.

Cattle producers, however, will need some definite encouragement to retain additional numbers of she-stock in their herds in order to produce the increase in calves from which consumers can eventually obtain additional beef supplies. This encouragement must come from prices sufficient to compensate them for their production and will not result if wide-spread public resistance to meat prices appears whenever returns from live animals approach a favorable level.

HOW MUCH BEEF DO WE NEED?

As indicated previously, there is a difference of opinion as to how much beef will be needed by 1975. Some projections call for as much as 27 billion pounds. Others range down to 26.3 billion and still lower to 25.8 billion. Frankly, it's only reasonable to assume that 25.8 billion pounds by 1975 is a higher volume than can be sold to consumers at prices providing reasonable returns to producers. We suggest that the very maximum that can be available without seriously depressing the domestic market would be 25.3 billion pounds. In order to arrive at a possible figure five years hence, though, two projections need to be made—population and consumption per capita.

Seemingly, population projections can be made with reasonable accuracy. According to Government sources the population since 1967 has been increasing at about 1 percent per year. Prior to that time, over a two year period the increase was at the rate of 1.1 percent per annum. With the population of 203,216,000 in 1969,[12] a 1 percent increase per year would mean a population by 1975 of 215,690,000 persons. Under modern circumstances this projection appears far more realistic than some which would indicate 219 million people, or more, five years hence.

The volume of beef that persons will buy at prices favorable to producers presents a more speculative projection. We believe it a foregone conclusion they would not accept a rate of increase per capita anywhere near that which took place from 1960 to 1970, which actually amounted to over 25 pounds per person. In fact, an increase of per capita supplies of more than 6 pounds to 7 pounds per person would be the outside limit which could be sold at present prices, or levels more favorable. Beginning with 110.6 pounds per capita consumed in 1969, a 1 percent increase per year would mean 117.4 pounds per capita by 1975. Anything more than this, we contend, would be unrealistic and exceedingly dangerous to the domestic industry.

Arguments that the consumption of beef in foreign countries may be 120 pounds per person to as much as 190 pounds per person, thus indicating that the U.S. has not even begun to reach its potential, are not realistic or justified. Persons in these other countries are largely beef consumers whereas the U.S. has a wide variety of other meat products which are being consumed. In addition to 110.6 pounds of beef consumed per capita in the U.S. in 1969, the civilian population also consumed 3.4 pounds per person of veal, 3.4 pounds of lamb and mutton and 64.8 pounds of pork, for a total of 182.2 pounds of red meat per person. Over and above this they consumed 47.6 pounds of poultry and 11.0 pounds of fish for a grand total of at least 240.8 pounds of high protein food per capita.[13]

Without question, beef has become the most popular of any of these products mentioned. But we cannot ignore the fact that there is a practical limit to the amount of food which humans can consume and will pay a fair price for.

Recall now our projected population of 215,690,000 persons by 1975. Applying possible maximum per capita consumption of beef at 117.8 pounds per person, it is logical that the total supply of beef in the U.S. by 1975 should not exceed 25.322 billion pounds if the domestic industry would realize reasonable returns for its production. The quantity of additional beef that would be required from domestic production by 1975 and its sources of availability are clearly demonstrated in the calculations that follow:

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[12] *Economic Indicators,* prepared for Joint Committee by Council of Economic Advisers, March 1970. p. 5.

[13] *National Food Situation,* Economic Research Service, USDA, February 1970, p. 15.

Estimated maximum permissible supply of beef in 1975___bil. lbs.__	25.322
Volume of imports allowable in 1975 in same proportion to supply as in 1969 (carcass weight equivalent)__do____	−1.823
Net volume of beef permitted from domestic production in 1975 __do____	23.499
Domestic production in 1969__do____	−20.953
Additional domestic production needed by 1975 to make available 117.4 lbs. of beef per person for 215,690,000__do____	2.546
Anticipated increase in domestic production from increased slaughter of fed animals (transfer from calf slaughter and nonfed steer and heifer slaughter) (see page 8)__do____	−1.270
Additional domestic production needed from increased number of cattle (more cows and calves)__do____	1.276
To produce 1.276 bil. lbs. of beef, additional number of head in slaughter at 630 pounds slaughter weight per head______head__	2,025,400
Projected possible increase in number of cows by January 1, 1973; their calves would be slaughtered in 1974 and 1975 (see page 9)__do____	53,652,000
Cows in the inventory January 1, 1970__do____	−51,308,000
Possible number of additional cattle available for slaughter by 1975__do____	2,344,000

Thus, it can be readily realized that the additional beef which may be required by 1975 is completely within the realm of possibility through increased fed cattle slaughter as a result of both reduction of calf slaughter and lower non-fed slaughter of steers and heifers, as well as from increased number of calves from a reasonable increase in beef cows.

In fact, to produce the volume of beef needed for a 1 percent increase in per capita consumption and a 1 percent annual increase in population, less than the anticipated rate of increase in beef cows which we have projected would be required. In other words, the rate of increase in beef cows could even fall short of that explained earlier and we would still have available for consumers a sufficient supply of beef. With fulfillment of all projected increases from domestic sources, there would be more reason than ever to restrict imports further.

Along with increased production of domestic beef which can be expected to occur, at least up to limits prescribed if consumers will pay for the production, it must be emphasized that foreign nations will have a share in this expanded market in accordance with the guidelines set up in the Meat Import Law of 1964. In the opinion of this Association, this is more than they are entitled to, and any fracture of the restrictions now in force can have a devastating economic effect on the domestic industry. The establishment of a consumer oriented commission with authority to project domestic production and allow for an increased volume of imports would endanger the most important segment of agriculture industry in the U.S. In our atmosphere of high costs, U.S. producers can in no way compete with the low cost production possible in most foreign countries who are supplying us with beef, and should not be expected to.

BEEF PRODUCTION IS A BUSINESS

It may be argued that some beef prices, even at fair levels, are beyond what low income families can afford to pay. This may be true, and those in the beef producing industry are sympathetic to those whose incomes are not adequate to satisfy their wants and desires.

But, the more popular cuts of beef are not the only items these people can't buy. Furthermore, there would be many less popular and less expensive cuts of meat within the financial reach of these families.

The cattle feeders and cattle producers are in business for a livelihood. To stay in business and expand their production they have to meet higher costs, higher taxes, higher wages, and higher everything. They can't stand these inflated figures if their returns are geared to what lower income people can afford to pay. They won't be able to stay in business, nor could any other industry survive in the United States under those circumstances.

APPENDIX—TABLE I

	Date	Amount	Percent
Average price of choice steers, Chicago, per hundredweight	1960	[1] $26.24	
	February 1970	[2] $30.27	+15.3
Average price per hundredweight, choice steer beef, Chicago, 600 to 700 pounds wholesale.	1960	[1] $43.98	
	February 1970	[3] $46.74	+6.3
Average price per pound, choice beef at retail (cents)	1960	[4] 80.7	
	February 1970	[5] 97.4	+20.7
Consumer price index, all items	1960	[6 7] 103.1	
	February 1970	[6 7] 132.5	+28.5
Average cost all food purchased by consumers	1960	[6 7] 101.4	
	February 1970	[6 7] 131.5	+29.6
Average cost all consumer services	1960	[6 7] 106.6	
	February 1970	[6 7] 150.7	+41.4
Average cost all consumer services, less rent	1960	[6 7] 107.4	
	February 1970	[6 7] 154.1	+46.3
Average hourly earnings, nonagricultural	1960	[8] $2.09	
	February 1970	[8] $3.15	+50.7
Average hourly earnings, manufacturing	1960	[8] $2.26	
	February 1970	[8] $3.28	+45.1
Average hourly earnings, construction	1960	[8] $3.08	
	February 1970	[8] $5.02	+63.0
Average hourly earnings retail trade	1960	[8] 1.52	
	February 1970	[8] $2.40	+57.9
Average weekly earnings nonagricultural	1960	[8] $80.67	
	February 1970	[8] $117.18	+45.2
Per capita disposable income	1960	[9] $1,937.00	
	4th quarter 1969	[10] $3,172.00	+63.8
Per capita expenditures for food	1960	[11] $388.00	
	4th quarter 1970	[12] $519.00	+33.8
Per capita disposable income spent for food, percent	1960	[11] 20.0	
	4th quarter 1969	[12] 16.4	−18.0
Per capita expenditures for other goods and services	1960	[11] $1,412.00	
	4th quarter 1969	[17] $2,368.00	+67.7
Per capita disposable income spent for other goods and services, percent	1960	[13] 72.9	
	4th quarter 1969	[16] 74.7	+2.5
Food consumption per capita	1960	[6 15] 100.5	
	1969	[6 15] 106.0	+5.5
		([16])	+5.8
		([17])	−5.1
Pounds of beef consumed per capita	1960	[18] 85.0	
	1969	[19] 110.7	+30.2

[1] Livestock and Meat Statistics, Statistical Bulletin No. 230, U.S. Department of Agriculture, June 1960, pp. 112 and 127.
[2] Livestock, Meat & Wool Market News, weekly summary and statistics, U.S. Department of Agriculture, vol. 38, No. 6, p. 130; No. 7, p. 153; No. 8, p. 177; No. 9, p. 201.
[3] Ibid., vol. 38, No. 6, p. 138; No. 7, p. 161; No. 8, p. 185; No. 9, p. 209.
[4] Livestock and Meat Statistics, Statistical Bulletin No. 230, U.S. Department of Agriculture, June 1961, p. 132, and U.S. Department of Agriculture information not published.
[5] U.S. Department of Agriculture, information available, but not published as of Apr. 10, 1970.
[6] Index.
[7] Economic Indicators, Council of Economic Advisers, prepared for the Joint Economic Committee, March 1970, p. 26.
[8] Ibid., March 1970, p. 15.
[9] Ibid., December 1969, p. 5.
[10] Ibid., March 1970, p. 5.
[11] Marketing and Transportation Situation, U.S. Department of Agriculture, August 1969, p. 10.
[12] Ibid., February 1970, p. 2.
[13] Ibid., August 1969, p. 10.
[14] Ibid., February 1970, p. 2.
[15] National Food Situation, U.S. Department of Agriculture, February 1970, p. 13.
[16] Animal products.
[17] Crop products.
[18] Livestock and Meat Situation, U.S. Department of Agriculture, November 1968, p. 26.
[19] National Food S tuation, U.S. Department of Agriculture, February 1970, p. 15.

Mr. MAGDANZ. We appreciate the courtesy. With that, unless there are questions that someone would like to ask us, that will conclude the oral presentation we make.

Mr. BURLESON. Mr. Schneebeli, do you have any questions?

Mr. SCHNEEBELI. No, Mr. Chairman.

Mr. BURLESON. Thank you very much. We are pleased to have you.

Our next witness is Mr. Ira H. Nunn, representing the National Restaurant Association.

Will you identify yourself and those accompanying you, please, sir?

STATEMENT OF IRA H. NUNN, COUNSEL, NATIONAL RESTAURANT ASSOCIATION; ACCOMPANIED BY ROBERT B. NEVILLE, AND JOHN S. MOORCONES

Mr. NUNN. Good afternoon, Mr. Chairman and gentlemen of the committee.

First, I would like to thank the committee on behalf of the restaurant industry for permitting us to testify today on this very important matter to us. We appreciate the opportunity very much.

Mr. Chairman, my name is Ira H. Nunn. I am the Washington counsel for the National Restaurant Association. I am accompanied here today by Mr. Robert B. Neville, on my right, and by Mr. John S. Moorcones, on my left, both of whom are attorneys in the office of the Washington counsel for the National Restaurant Association which I represent today.

This association is a trade association with approximately 13,000 members of its own and which through its affiliation with 137 State and local restaurant associations represent about 110,000 eating and drinking establishments in all parts of the country. The National Restaurant Association has members in all types of food service, institutional feeding and industrial catering as well as drive-ins and restaurants of all types.

Our members do not import meat. Our interest in this matter is views on legislative proposals now pending before Congress which would place more stringent limitations on the quantity of fresh, frozen, and chilled meats that can be imported into the United States.

Our members do not import meat. Our interest in this matter is identical to that of the American housewife who seeks to provide nourishing, palatable foods to her family at a cost consistent with her budget. In other words, we are here as consumers. The restaurant industry is the second largest consumer of food in the United States. We are second only to the American housewife in that regard. We buy from 20 to 25 percent of all food bought in this country and we pass it along to those who eat it, that is, to our customers. It happens that perhaps beef as a commodity is the largest single item that we buy and sell. We believe that, with the current market demand for beef, any further restriction in the supply is certain to raise the price of hamburger and hot dogs. To the best of our knowledge, those who are in favor of greater restrictions on imports of meat do not contend otherwise.

I refer specifically to beef, because beef is the central issue in this matter. Over 90 percent of all imported meat is beef. The target of lower quotas is beef. There is a sound reason why beef is the leading imported meat product. It is in great demand by the consumers. The per capita consumption of beef in the United States in 1945 was 59.4 pounds. By 1957 this had risen to 84.6 pounds, and per capita consumption today is over 109 pounds.

During this same period, the population has grown from about 130 million to over 200 million. Mr. Chairman, when we observe this phenomenal rise in demand, it seems we might be better occupied in assessing the adequacy of our sources of supply and expanding them, rather than considering methods to reduce that supply. The law of supply and demand operated to illustrate this point dramatically less than one year ago when ground beef rose from 55 to 66 cents per pound in a year's time and frankfurters rose from 69.6 cents to 78.4 cents a pound during the same period.

This is our principal concern in this matter. We believe it is possible to price a product out of a market. However, appealing hamburgers and hot dogs may be to the American palate, prices can and do operate to change tastes. Economic pressures have induced the acceptance of substitutes in other commodities and can do the same for beef. We would prefer to avoid this and we believe it is in the best interest of our meat industry to avoid it. To our industry, the issue assumes even greater significance for we know that eating away from home, the pleasure of eating out, can diminish when the cost becomes too high. We know, too, that the principal products from manufacturing beef, hamburgers and hot dogs, are a mainstay of the low income family's diet. High prices for these high protein, nourishing meat products hit our low income families the hardest.

It is our understanding that American cattle raisers want greater limitations placed on imported beef because they believe such imports compete with their product. We do not believe this to be true to any significant degree. Let me explain why. Imported beef is the product of lean, grass-fed cattle. Its normal fat content runs to about 10 percent. The great majority of such lean beef is of cutters or canners grade and is used principally in the manufacture of hamburger, hot dogs, and sausage where fat content is restricted by Government regulations. Our domestic source for this type of beef has been retired dairy herds. The number of cattle in these herds has been steadily declining from a peak of about 41 million in 1945 to about 20 million today.

I heard a witness who preceded me this morning suggest that the supply of such cattle was becoming greater through the use of range cows. My information is contrary to this. I would like to read from the February 1970, Livestock and Mean Situation, on page 28—this is a document produced by the Economic Research Services of the U.S. Department of Agriculture—the material I want to quote is this:

"In the mid-1950's more than a third of all steers and heifers slaughtered were marketed off grass."—one-third in the mid-50's off grass—"the balance was marketed through feed lots. By the mid-1960's, the proportion of non-feds dropped to a fifth of the total, and in the past 5 years the accelerated growth of cattle feeding sharply reduced the non-fed category to about one-tenth of the total."

Coincident with this decline in supply has come a spectacular increase in demand. The efforts of our meat industry have been directed toward satisfying the ever-increasing demand for the more tender, fat marbled, table beef that is the product of our grain-fed cattle. The great bulk of our domestically produced beef, with a fat content of about 25 percent, is the product of our grain-fed cattle. This is a natural approach to the problem by our cattle raisers. The production of grain-fed cattle is more consistent with the decline in available grazing areas and, furthermore, grain-fed cattle bring higher prices to our meat producers.

The lean, grass-fed imported beef is used, by and large, for manufacturing purposes. It does not compete in the marketplace with the high quality table cuts produced from our grain-fed animals. If a housewife finds that hamburger and frankfurters have become too high, she is not going to purchase a more expensive item such as a cut of steak or roast. She will turn to a lower priced food such as fish or poultry, or perhaps a macaroni and cheese caserole. These are all good foods and are available to her at lesser prices than beef.

To place the issue in perspective it is worth noting that meat import law of 1964 (Public Law 88–482) is designed to limit imports to approximately 6.7 percent of domestic production. In actual operation, since the passage of that law in 1964, beef imports have represented 5.3 percent of domestic beef production in 1964; 4.4 percent in 1965; 5.5 percent in 1966; 5.9 percent in 1967; and 6.5 percent in 1968. Over that 5-year period, imported beef averaged but 5.5 percent of domestic production.

So you see, Mr. Chairman, we are already operating under a statutory quota which works. It keeps imports down. It is effective. More than that, we are operating under a superimposed voluntary quota which also serves to keep us within the quota.

According to the best information we can obtain on the subject, there has been an annual increase of about 2½ percent in consumer demand for hamburgers, frankfurters, and sausages. In contrast to this steadily rising demand, the Department of Agriculture predicts a 4-percent decrease this year in cow slaughter, our principal domestic source of manufacturing beef. This fact simply reflects a pattern that has been in progress for many years. The predictable result of this steady decline in domestic supply during a period of consistently rising demand, and with import limits based upon domestic production, is a shortage of manufacturing grade beef. Some estimates of this shortage place it at 350 to 400 million pounds. With supplies falling short of consumer demand to this extent, higher prices are not just predictable—they are an absolute certainty.

A short while ago a subcommittee of the House Government Operations Committee held hearings on meat prices, in October 1969. The subcommittee's report of its findings was not accepted by the full committee, I understand, and it was not published for reasons which were not announced. From press reports of the contents of this unpublished report, we are told that the subcommittee found that the supply of beef, including available imports under current restrictions will be inadequate to meet demand for at least the next 6 years, and that sharply rising beef prices are in prospect to 1975. We are also told that the subcommittee recommended immediate amendment of the Meat Import Quota Act to increase the supply of imported beef. I cannot verify the accuracy of the press accounts of this subcommittee's conclusions. However, I mention them to you with the thought that you may find it useful to do so.

All of the predictions we have heard or read agree that demand for beef will rise at the rate of 2½ or 3 percent per year. Projections on the supply available to meet this demand vary, but all knowledgeable sources known to us agree that our current sources of supply, at optimum, will be hard put to match demand. With a market of this character, it seems clear that any further restrictions on imports would force the use of domestic high quality and high priced cuts for manufacturing purposes. Of necessity, this will mean a markedly higher price for hamburger and other processed meat products.

Since this committee and the Congress will be considering this issue from the standpoint of national policy, it seems appropriate to observe that the principal sources of our imported beef are Australia, New Zealand, Ireland, and Mexico. These countries are allied to us politically and economically. Our balance of trade with each of them is now heavily in our favor. Australia, for example, buys twice as much in American goods as she sells to us. By further restricting the opportunity of these trading partners to sell to us, we invite restrictions by them on our products. The risk of such retaliation will not be borne by our own meat producers. Any retaliation would fall upon producers of other agricultural products or upon manufacturers of hard goods.

Aside from the risk of retaliation by countries whose friendship and political alliance we need and treasure, we need also to look to the future of our protein supply. We must assess carefully whether our current restrictions are impairing supplies for future years when the need will be even greater than it is now. Since Australia may not send us all the meat she has to sell, she is seeking markets elsewhere and Russia is becoming such a market for Australian beef.

In brief, Mr. Chairman, all the beef we produce today and all that we are allowed to import is consumed. No part of our production is lacking a market, even at today's prices. If importation of beef is further restricted, the higher grade and higher priced domestic product must be substituted in manufacturing. The family of modest income which has come to rely upon hamburgers, hot dogs, and other processed meats as diet staples will be faced with higher prices. So will the establishments in our industry which try to keep meals away from home within the means of all segments of our society. We believe that in today's economy, marked as it is by inflation, any action designed to raise food prices makes no sense at all.

That ends my prepared statement, Mr. Chairman. I would like to make a few more remarks by way of refuting testimony which I have heard here today.

First of all, in the Congressional Record in the month of April there appeared two articles placed in the Congressional Record by a Member of the House of Representatives, alleging that imported meat is not adequately inspected and might well be unclean. This was a very distressing thing to see. Inquiry was made of the Department of Agriculture and a letter from the Secretary of Agriculture stating that inspection of imported meats is as good or better than that of domestic meats was placed in the Congressional Record on June 4.

We have heard mention made of the fact that imported meat may be used for other than grinding and for manufacture. It is true that some of it is. We believe it is very little. We believe it is an insignificant part. We do not know how much it is, Mr. Chairman. No one else knows at the moment, because the Department of Agriculture has just asked the Tariff Commission to make a survey of the field and find out exactly what is done in this country with meat that comes to us from abroad. Preliminary documents have been circulated by the Tariff Commission and one day we will know. There are suggestions that it may be as much as 40 percent; I seriously doubt it. There are suggestions that it may be as much as 25 percent; I seriously doubt this. But in any case, Mr. Chairman, I have this observation to make with respect to such meat, however it is used.

My members tell me that if they can find a steady supply of good domestic lean meat with a price differential between the lean and the fed, they will be happy to use it. It just does not exist, Mr. Chairman. It is not available to us. If there is an adequate supply in this country of grass-fed beef for our commercial needs, it is not available to us and we do not know where to get it. We would like to have more imported meat come into the country.

Reference was made by a preceding witness to the fact that compared to last year our freeze lockers are pretty full right now. Well, this is true, Mr. Chairman. You will remember last year we had about a 3-month maritime and dock strike, and at the time to which the previous witness refers our lockers were almost empty. So, we have a great deal more in them now than we had at this time last year.

Another thing about this quota that should be borne in mind is that the quota causes our people who import meat and sell it and use it here to get their meat as early as they can in the season, because we realize that this supply is in jeopardy and the man who has contractual commitments to meet tries to get his supply early in the game. So undoubtedly now people who want meat and use it and have commitments that they must meet have gotten as much meat as they could get in.

About that shipping strike of last year within a 10-day period after that shipping strike, maritime and dock strike, took effect, the price of hamburger from certain suppliers rose 10 percent. This shows how sensitive this market is. During the first 10 days of the strike, of course, there was no shortage of meat, but during that 10 days nevertheless prices of hamburgers from some suppliers, principally those who get meat through gulf ports in this country, rose 10 percent.

I suggest therefore it is not altogether objective to compare the condition of our freeze lockers now with the way they were this time last year. The quota system causes, not the hording of meat, but causes our people to buy it as early as they can in the game.

That concludes my remarks, Mr. Chairman.

Mr. BURLESON. Thank you, Mr. Nunn. Do your associates have anything to add?

Mr. NUNN. No, sir; that is our entire presentation.

Mr. BURLESON. Mr. Scheneebeli?

Mr. SCHNEEBELI. Mr. Nunn, at the present time our law limits imports to approximately 6.7 percent of domestic production. In the light of what you say, is this adequate for the next 2 or 3 years? Is it adequate to take care of your needs?

Mr. NUNN. It is not, Mr. Schneebeli.

Mr. SCHNEEBELI. Do you have any figure in mind that might be adequate? Have you thought of any percentage figure that might do the job?

Mr. NUNN. The formulation of a new formula is a thing which we have considered quite a bit. I do not know how to do it, myself, at this moment, Mr. Scheneebeli.

Mr. SCHNEEBELI. But you would be opposed to shifting the base period back?

Mr. NUNN. Yes; we would be opposed to any device which would limit the imports at all. We are experiencing a 2½-percent increase each year with a rising population and an increased appetite for this wholesome, palatable product. The thing that this industry would like to see done is to repeal the quota altogether.

Mr. SCHNEEBELI. Repeal it or increase it?

Mr. NUNN. Preferably repeal it. If we can't do that, give us more beef which may come in under that quota.

Mr. SCHNEEBELI. Do you think 10 percent is too high?

Mr. NUNN. Pardon?

Mr. SCHNEEBELI. Do you think 10 percent is too high? What figure do you have in mind, if not 6.7?

Mr. NUNN. I think an increase to 10 percent of the same base period would probably be all right. We also face this situation. If there were no quota at all and there had been none and we were free to import all the beef from abroad that we could get and they could sell to us freely, we could only import now about 10 percent more.

Mr. SCHNEEBELI. What would be the limitation? Price?

Mr. NUNN. No; it doesn't exist.

Mr. SCHNEEBELI. The supply?

Mr. NUNN. That is right. We are facing a worldwide shortage in beef within the next 6 years, worldwide.

Mr. SCHNEEBELI. Thank you, Mr. Chairman.

Mr. BURLESON. Thank you, gentlemen, for being with us.

(The following statements were received for the record:)

STATE OF SOUTH DAKOTA,
OFFICE OF THE GOVERNOR,
Pierre, June 1, 1970.

Hon. WILBUR D. MILLS,
State Representative of Arkansas,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN MILLS: You and your constituents deserve the highest quality meat products available. The public spirited farmers and ranchers of South Dakota and all beef producing states have dedicated their talents to supplying such products. The cattlemen of South Dakota supported the Wholesome Meat Act of 1967 which was passed by the Congress. In 1968, the cattlemen of South Dakota supported the South Dakota Meat Inspection Act, which was passed by the South Dakota Legislature and I signed it into law. Thus, you can see our interest in supporting and maintaining the highest standards for the protection of the American Consumer.

Unfortunately, this system that has served the American Consumer so admirably, is now in jeopardy. A few special interest groups are now engaging in an effort that will permit an increase in the imports of beef into our country. If successful, this clandestine effort can only result in eventual chaos to our efficient and effective supply system of today.

The American Consumer is being buffeted by several arguments that are subtly utilized to disparage the present system and to advance the cause for more imported beef. I shall discuss them briefly.

A. "The price of beef is too high". This argument is fallacious. A comparison of prices in 1960 to those in February 1970, shows that the average price per pound of choice beef at retail went from 80.7 cents to 97.4 cents (in the highest worth of 1969, the price was only $1.02½), an increase of 20.7% while hourly earnings of labor in the manufacturing industry went up 63.0% and the per capita expenditures for other goods and services went up 67.7%. In the face of rising costs of production, including labor, taxes, equipment, supplies, services, etc., and increased costs of slaughtering, processing, fabricating, distribution, and sales, it is inconceivable that anyone could expect the domestic industry to furnish quality beef to consumers at lower figures per pound. I wonder how anyone can defend a premise that "beef prices are too high".

B. "There will be a shortage of beef by 1975". This argument is fallacious. The record will show that the domestic industry has demonstrated it will supply consumers with the quantity of beef they want and need. Expansion in beef production arises from several sources. It results from increasing the number of fed cattle through a reduction in the slaughter of calves and from the reduction in slaughter of non-fed steers and heifers, and finally, from an increase in the production of more cattle (meaning more cows to produce calves).

Through close scrutiny it is evident that an additional 1.27 billion pounds will result from these sources within the space of 1 or 2 years. Close analysis of the beef situation assures us that the additional beef which may be required by 1975 is *completely* within the realm of possibility.

Here are a couple of situations that apparently exist and have existed for sometime. They need our attention because they are inconsistent with the 1964 Meat Import Law.

A. The Japanese Government has just opened two huge packing plants down under that are strictly packaging and canning plants. Australian beef is being bought, packaged in cans, and shipped to the United States. Also similar prepared products are entering the United States through Canada. As you know, there is no embargo or controls on the amount of canned meat that can be shipped into the United States.

B. Some of the imported meat has been processed in plants not conforming to our federal specifications for our domestic supply.

The American cattleman is personally committed to the supplying of wholesome and nutritious beef to the American Consumer—you and me. It seems to me it is imperative to assure them every consideration in their efforts to continue this service to American Consumers.

Therefore, I am asking you to support the following principles set forth in pending legislation.

A. To establish a 100 per cent quota trigger point rather than the present 110 per cent.

B. To require that all imported meats—whether fresh, frozen or canned—meet the same specifications regarding cleanliness, purity, and health of animals at slaughter that exist in the federally inspected plants in the United States.

C. To include canned, cured and cooked meats in the import quota.

D. To charge against the country of origin, any canned, cured and cooked meats that enter the United States through a country other than country of origin.

If you have any questions, I would welcome an opportunity to provide additional information that would remove the cloak of misunderstanding with which our elected representatives, public officials, and American Consumers, are being veiled.

Your interest and cooperation in supporting a proven production and marketing system for beef, will be greatly appreciated.

Sincerely yours,

FRANK L. FARRAR, *Governor*.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 23, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: I am today introducing legislation identical to H.R. 17540 (revising the quota-control system on the importation of certain meat and meat products), which is now before your Committee.

There is great concern in my congressional district that a more equitable system of import controls for beef and other meat products should be provided to better protect our own farmers. I trust you will express my interest in this legislation to your distinguished Committee.

I respectfully request this important legislation will be given careful consideration.

With best regards, I remain

Sincerely yours,

WILLIAM L. HUNGATE, *M.C., Missouri.*

STATEMENT OF MARTIN B. RIND, PRESIDENT, MILWAUKEE SAUSAGE COMPANY, SEATTLE, WASHINGTON

SUMMARY

Meat processors need adequate supplies of lean beef. In recent years, supplies have become increasingly scarce, and production has suffered. High prices for lean beef and beef products result directly from import restrictions. Therefore, Congress should remove the restrictions on imported beef currently imposed by Public Law 88-482.

I am president and part owner of a meat products manufacturing company which has been in business in Seattle since 1916. My own participation dates since 1933. Our company employs approximately 60 people, manufacturing and distributing over 2.5 million dollars of products per year.

The basic raw material used in our industry, lean beef, is produced in the United States primarily from aged cows and bulls no longer suitable for milking or breeding. Most industries are able to increase their available raw materials through increased efforts at drilling, digging, or planting in the ground. Our domestic source of raw material, however, is essentially a by-product of the dairy and cattle feeding business, and cannot be extracted from the ground, sea, or atmosphere.

In earlier days, that is until 10 or 15 years ago, all needed lean beef raw materials were supplied to us by local meat packers who purchased cows and bulls from surrounding dairy farms.

Today, the dairy herds are long gone, and the pastures where they grazed are paved with cement. The few meat packers remaining in business slaughter primarily grain fattened cattle shipped from Eastern Washington. The Yakima Valley and Columbia Basin areas of Eastern Washington once supplied those packers with substantial quantities of lean grass fed beef, but high land prices have long since made such operations uneconomic.

This local situation has been repeated nation-wide. In 1955, our country's population of dairy animals had held at about 35 million for around ten years. By 1964, when imports were restricted by law, the figure had shrunk to about 27 million, and by 1969 was down to less than 22 million. Imports currently provide about one billion pounds of lean beef for manufacturing per year, but the total supply available to us is substantially less than 15 years ago.

As the total amount of lean beef available from domestic sources has diminished, and as the demand for this type of beef has increased, ceilings imposed by Public Law 88-482 have created an inflexible supply situation. Those of us in the business of manufacturing processed meat products and hamburger have bid up prices of lean beef to an historic high level where meat from old cows commands a higher price than meat from choice steers.*

As we have raised our selling prices to consumers to compensate for higher costs, our tonnage volume has fallen—a normal adjustment in a free market whereby demand reduces to compensate for reduced supply. Reduced volume is poison to any manufacturing industry, of course, but our own company has weathered the storm so far. The reason, reduced cost of fat materials, may be of interest to those in the livestock industry who in my opinion have conducted such a blind vendetta against meat imports. The following quotation from my remarks at the convention of the Western States Meat Packers Association in February seems appropriate:

"Restrictions on imports are reducing our capacity to manufacture sausage and hamburger. Cattle feeders are paying part of the price of those restrictions because reduced sausage production means reduced demand for fat trimmings. Reduced demand means lower prices, and lower prices for fat trimmings means lower prices for fat cattle."

Within the past two months, the price of 50% lean beef trimmings has fallen sixteen percent. The price of 50% lean pork thimmings has fallen nineteen percent. Opponents of meat imports will point out that this market drop has occurred during a period when a "Flood" of foreign beef has arrived—the highest rate in history. This of course is true, but it is also true that the price of lean manufacturing beef, the product against which the alleged "Flood" will compete, is also at the highest level in history. Imported lean meat has arrived in response to the demand which has caused the price level to be bid up. The decline in fat

*On May 15, 1970, the National Provisioner Daily Market Service quoted full carcass cow meat @ 67¢ lb. Choice Steers were 47¢ lb. The yield of the boneless steer would be about 85%. 47¢ ÷ 85% = 55¢ lb. cost of the boneless steer meat.

meat prices is caused by the scarcity of lean meat which is needed to utilize the fat meat.

It is my hope that Congress will remove the restrictions on meat imports. While reduced prices for fat trimmings have tended to off-set our losses from falling volume thus far, our industry will eventually suffer if volume declines further. Small operators such as ourselves will be the first to fail. It seems to me a tragedy that Public Law 88-482, which has raised costs to manufacturers, raised prices to consumers, and may even cause the failure of legitimate businesses, benefits no one—least of all its proponents.

STATEMENT OF GEORGE R. VAIL, PRESIDENT, MORTON FROZEN FOODS DIVISION, ITT CONTINENTAL BAKING COMPANY, INC.

ITT Continental Baking Company Inc. and its Morton Frozen Foods Division respectfully submit that the liberalization of the present restrictions on the importation of frozen beef would be in the best interests of the consuming public. We also submit that restrictions on the importation of cooked beef, primarily from South America, would be contrary to the public interest.

Expert testimony demonstrating the need to increase imports of beef will be offered to the House Committee on Ways and Means. I shall not duplicate this testimony, but rather will limit myself to pointing out how import restrictions affect my own company and the consumers it serves.

First and most important to us is the fact that the USDA has a uniform inspection system for all foreign plants producing meats which are imported to this country, and of course the MID inspects the meat again at the Port of Entry. Imported meat has the *same* inspection standards as domestic meat at its plant of production and again in the U.S. We believe this to be of critical importance, and in recommending liberalization of meat imports we recommend that Congress commit whatever funds may be necessary so that all imported meat in the future will be subject to the highest standards.

At the present time, there is an insufficient quantity of range fed manufacturing grade beef in the United States to meet consumer demands and nutritional requirements. Supplies fell from 27 pounds per person in 1955 to 14 in 1963, and the per capital figure is much lower today. Traditionally, imported frozen beef has taken up the slack. However, present import quotas are so low that a halt in imports will be mandatory later this year unless relief is forthcoming. This would trigger a tremendous rise in the prices of frozen goods, frankfurters, sausage, canned meat, soup and other products which rely on the low cost manufacturing beef.

The Morton Division of ITT Continental Baking Company uses millions of pounds of raw frozen meats for the manufacture of economical frozen dinners, casseroles and boil-in-bag products. These products provide excellent protein nutrition, and their low cost makes them readily available to even poor families. If Morton were forced to use domestic beef, their manufacture and sale would be greatly curtailed, if not prohibited, because of the cost factor and the added poundage necessary to make up for the higher moisture content of domestic beef. Consumer cost would necessarily skyrocket.

In addition to the above products, Morton also uses millions of pounds of frozen South American cooked beef in the manufacture of beef dinners and pot pies. If domestic beef were substituted, consumer prices would double, not only because of the vastly increased cost of beef per pound, but again because of the millions of additional pounds needed to correct the moisture content. Further, availability of these consumer favorites (at any price) would be sharply curtailed.

Last year, Morton estimated that its cost would be about $5 million annually to substitute domestic beef for imported beef. The amount is at least that today, and is probably much greater due to the higher price of domestic hamburger. Even this figure is illusory, since many products would be priced out of the market.

These figures are only for one company. What the total would be for all imported meat users, I am not prepared to say. Also, I realize that current proposals do not seek to shut off all imports. Nevertheless, increased costs are inevitable if an artificial shortage is created, and these costs would have to be passed on to consumers—in many cases to those consumers who can least afford them. The vast majority of food products using imported beef are in the lower price range.

At a time when the fight against hunger and malnutrition is assuming great importance, it seems unwise, to say the least, to fail to take any action which would help insure a supply of inexpensive, wholesome, nourishing food. At a time when the country is struggling to keep prices down, it is untenable to allow an artificial situation to develop which will send prices soaring. At a time when unemployment is rising, it is hardly wise to shut down plant operations which rely on a supply of manufacturing beef unobtainable in the United States.

Creating a shortage of manufacturing beef by failing to permit sufficient imports is clearly inflationary, and would cost consumers, particularly those in the lower income brackets, millions of dollars. Benefits to domestic producers would be negligible, since the type of beef now imported is in critically short supply. And any reduction in imports would be a blow to the economies of the exporting countries, many of which need all the help they can get.

For these reasons, and the many others which have been offered by food experts appearing before the House Ways and Means Committee, the Morton Division believes that the situation calls for positive actions. It respectfully submits that a liberalization of beef import quotas is critically necessary in the best interests of the food processing industry and its employees, and, above all, the consuming public.

Mr. Burleson. May I mention that we have a quorum call and I regret Mr. Schneebeli and I will have to go over and answer it. We will recess. I hope that we can be back in 15 minutes. We are sorry that we have to delay all of you, but this is the way things go around here. We have to stay on the payroll.

(Recess.)

Mr. Burleson. We will resume our hearings.

Is Mr. Richard J. Goodman present? Will you come around, Mr. Goodman?

Again I regret, sir, that we do not have more members. I don't imagine it is too inspiring to look at one sitting up here. But I think we will have some more. Since we do have a number of other witnesses to follow, if you will proceed. Do you wish to read your statement or summarize it or place it in the record?

STATEMENT OF RICHARD J. GOODMAN, MEMBER, INTERNATIONAL TRADE COMMITTEE, NATIONAL GRAIN & FEED ASSOCIATION

Mr. Goodman. Yes, Mr. Chairman. I understand the situation. I have here a final copy of my statements for the record. I will try to brief it down to as short a period of time as I can, with your permission.

Mr. Chairman and members of the committee, I am Richard J. Goodman, vice president of Cook Industries, Inc., of Memphis, Tenn. I am appearing on behalf of the National Grain & Feed Association. I am a member of its International Trade Committee. The association represents more than 1,300 grain and feed firms ranging in size from the smallest country elevators to the largest grain and feed complex and includes exporters and processors of grains and feeds as well. The association also has 52 affiliated State and regional associations representing more than 15,000 local grain and feed firms, plus 100 associate members. Our regular members and those of the affiliated associations engage in one or more of the following operations: collection, conditioning, blending, storing and distribution of raw commodities at country and terminal elevators; exporting grain and grain products; and milling or processing of grain for feed or food.

We much appreciate this opportunity to express our views on trade legislation pending before this committee, and with greater concern, to focus on agricultural trade policy, particularly the problems, trends, dangers and opportunities associated with our exports to Western Europe.

I should say parenthetically, Mr. Chairman, that my testimony comes under the heading of "Meat" in the list of witnesses here. I am not here at all to talk about meat, but rather on grain exports including soybeans to some extent.

We fully support the proposed Trade Act of 1969. At the same time we are opposed to any legislation that adds new restraints on foreign trade, whether it be quotas on imports into the United States or taxes, embargoes or flag shipping requirements on exports from the United States. We believe that the liberalized "escape clause" provision contained in the proposed Trade Act of 1969 represents procedures far more desirable and superior in dealing with problems arising out of increased imports for all segments of our economy, than would quantitative import restrictions required by legislation.

Also, we wish to express our support for the proposed legislation authorizing the use of Domestic International Sales Corp. (DISC). We believe the DISC proposal would, if authorized, help stimulate U.S. agricultural exports by improving the competitive position of U.S. firms engaged in the farm export business.

On agricultural trade, we would reiterate what several previous witnesses, including Secretary of Agriculture Hardin, have said to the committee. Agriculture is currently our single most important trade policy problem area. Threats to foreign sales of farm products are likely to persist, if not worsen, in the years just ahead. Agricultural trade issues need and deserve the highest priority in consideration of our Government's international economic policy now and through the early 1970's.

A brief review of U.S. farm exports in recent years serves to remind us of both the importance of foreign trade to American agriculture, and the difficulties being faced in major farm export markets, particularly the European Economic Community and the United Kingdom.

U.S. agricultural exports reached their historic peak in calendar year 1966 at nearly $6.9 billion. This represented 23 percent of total U.S. exports. While total exports were only 5.8 percent of gross national product, agricultural exports were 15.9 percent of total U.S. farm marketing. Unfortunately, since 1966 farm exports have declined each year to a level only slightly more than $5.9 billion in 1969 and only 16 percent of total exports. Thus, nearly $1 billion of farm exports have been lost in the last 3 years. At the same time, nonfarm exports increased from $23 billion to $31.7 billion. I make this point to demonstrate that major problems in maintaining and expanding farm exports lie ahead. They clearly require a higher priority of attention and action than other segments of the economy.

The cost of declining farm exports is more than simply the loss in value of trade and adverse effects to our balance of payments. There is also a substantial public cost directly connected to the operation of our Federal farm programs. For example, during crop year 1967, after agricultural exports had dramatically increased to record levels, cropland diverted under Government programs was 41 million acres. As exports declined and farm productivity continued to climb, our Government was forced to increase acreage diversions to avoid a buildup of costly surpluses. Diversions increased to 48 million acres in 1968, and to 58 million acres in 1969. As you know, cropland acreage diversions are paid for from the Federal agricultural budget under commodity stabilization programs.

When we consider the effects of declining or even stagnant farm exports on the U.S. agricultural economy and the cost of farm programs, we must also recognize that productivity in American agriculture is continuing to increase rapidly. Corn yields have increased regularly all during the 1960's and promise to continue to do so during the 1970's. National average yields per harvested acres of corn increased from 54.7 bushels in 1960 to 81.2 bushels in 1969. Grain sorghum yields increased from 40 bushels to 55 bushels in the same period of years. Compared to feed grains, yields of wheat have increased more slowly but still significantly, from an average of 25 bushels per acre during the early 1960's to nearly 31 bushels in 1969.

Both corn and grain sorghum growers have been exploiting the benefits of hybridization with respect to yields. Wheat is just on the threshold of this process, and when the breakthrough comes—I believe within the next few years—we can expect to see wheat yields increase in proportion similar to corn and grain sorghum during the 1960's.

All of this is simply to say that with our capacity to produce with continually increasing productivity and production efficiency, American agriculture must export, and substantially expand exports, in the years ahead in order to sustain healthy economic growth and minimize the sectorial and human costs of adjustment.

Western Europe has confronted us with our most difficult problem and disappointing experience in expanding agricultural trade, and presents us with our greatest immediate challenge in the trade policy field.

The effects of the European Economic Community's common agricultural policy with its high internal harmonized prices and absolute levels of protection through its variable levy system, began to take its toll on U.S. farm exports beginning in 1967. With the incentives of high guaranteed prices behind the variable levy wall, EEC farmers increased grain production from 38.0 million tons in 1966 to 69.7 million tons in 1969. The results on grain imports from other countries, particularly the United States have been traumatic. Total EEC imports of grains fell from 20.5 million tons during 1965–66 to 14.7 million tons during 1969–70—nearly all feed grains. While EEC imports of wheat declined slightly, their exports of wheat to countries outside of the Community increased from 4.5 million tons during 1966–67 to over 6.6 million tons during 1969–70. Because of EEC policies, the U.S. has lost over 5 million tons of feed grain exports to the EEC since 1966 and at the same time, along with other wheat exporting countries, has lost over 2 million tons of wheat exports in other parts of the world to EEC wheat dumping.

After the EEC, the United Kingdom is our second largest agricultural market in Western Europe, and is an important market for U.S. feed grains and soybeans. As I am sure you know, the United Kingdom, along with Ireland, Denmark, and Norway, has applied for membership in the EEC. Negotiations between the United Kingdom and EEC on entrance will begin next month. If in the process these countries slip behind the EEC high agricultural price-variable levy wall, an unmitigated farm export disaster for U.S. agriculture would be in the making. Our exports would quickly shrink in the wake of the higher price incentives for greater agricultural self-sufficiency that the EEC's common agricultural policy would bring. In addition, trading preferences among EEC member countries would mean that French, German, and Dutch wheat and barley surpluses would immediately take up much, if not all, of the grain import needs of these new member countries, and relieve the pressure these surpluses have borne on EEC agricultural financing; thus further prolonging the life of the common agricultural policy, all at the expense of U.S. grain exports.

I am sure you will recall the recent strong efforts necessary by the United States to stop the EEC from extending their protective system to soybeans by way of an internal consumption tax on vegetable oils and protein meals. If the United Kingdom, Ireland, Denmark, and Norway join the EEC with its present common agricultural policy, we would have to expect our soybean exports again to be put in jeopardy by stronger and broader efforts of the larger community to extend protection to oilseeds and products.

The EEC's common agricultural policy has proven to be a trade disaster for the United States. A larger EEC, including the United Kingdom and others, presents the danger of extending this trade disaster to more markets and more commodities. While it would seem that the United Kingdom joining the EEC is totally dangerous to U.S. farm trade interests, if the United Kingdom insists on joining, and EEC desires to increase its membership, the negotiations required to consummate this marriage could present an opportunity to bring about useful changes in the EEC's common agricultural policy, with a more liberal agricultural trade policy emerging for the new, larger community.

What clearly is called for in order to make an agricultural trade policy opportunity out of what otherwise promises to be a farm export disaster is an unmistakable expression by our government of our trade and economic interests involved in the accession of the United Kingdom and others to the EEC. First of all, we should call for the re-adherence to GATT rules by the EEC not only with respect to enlargement of the community, but also with respect to the EEC's preferential trading arrangements with several Mediterranean countries, including Tunisia, Morocco, Israel, Algeria, Spain, Greece, and Turkey, and the many associated African states and overseas territories.

At the same time, we should reestablish the tariff bindings we have available to us on grains with both the United Kingdom and EEC when these bindings come back into force on July 1, 1971. Then when the EEC and United Kingdom take up the question of the common agricultural policy we should stand ready with suggestions on agricultural trade policy in the interests of all parties concerned, most particularly consumers in Europe and taxpayers on both sides of the Atlantic. All of this should be exercised within the context of United Kingdom–EEC negotiations. We should not be entrapped in the hollow prospect that our trade and economic interests will be satisfactorily dealt with after the United Kingdom and others have joined the Community at the EEC's present common agricultural policy.

Generally, we must take the position that any prospective political integration arising from an enlarged European community does not outweigh our agricultural trade and general international economic interests.

I should say, perhaps parenthetically at this point, that we must also strive for an increasing export market-oriented domestic farm program. I know that Secretary Hardin and Chairman Poage of the House Agriculture Committee have been working hard to get such legislation. When we consider the great dependence American agriculture has on expanding export markets we can see why farm legislation that maximizes export opportunities and exploits general marketing potentials is so important to achieve this year.

We should say something as well about our agricultural trade with Japan, our largest single farm export market in the world.

In contract to the EEC and the United Kingdom our agricultural exports to Japan have grown rapidly and promise to continue to grow through the 1970's as long as we maintain a competitive and aggressive export sales policy. There are opportunities to further improve exports of grains and soybeans to Japan by the reduction of some remaining import barriers and the gaining of greater merchandizing rights within the Japanese economy. A solid basis for optimism exists that substantial progress can be made along these lines with the Japanese; again, as long as we maintain a strong liberal trade policy with them. In this atmosphere there is every reason to believe that our over all trade with Japan will grow even more mutually beneficial in the years ahead.

Finally, some closing remarks about the international grains arrangement of 1968. Negotiated in 1967 toward the end of the Kennedy round, the IGA was a last ditch effort to produce something out of nearly 4 years of near fruitless talks on agricultural trade. Apparently, our top negotiators at the Kennedy round thought it necessary to package up some kind of wheat agreement for the appearance of bringing something home for American agriculture, even if it was known to be worthless. Unfortunately, the IGA proved to be worse than worthless. It set minimum world trading prices at levels substantially higher than the previous International Wheat Agreements, completely out of any realistic relationship with trading values of wheat in a world of increasing productivity. The immediate result for the United States was the loss of competitive position in world wheat markets and sharply reduced export sales from mid-1968 until the spring of 1969, when the pricing provisions finally had to be abandoned altogether. Contrary to some mistaken editorial comment, world wheat prices have been exceedingly stable since IGA pricing was completely abandoned in the spring of 1969. To be sure, world wheat prices have been lower but markets have responded, export sales have increased, and wheat acreage in the industrialized world has begun to recede back to more economic and balanced levels.

In short, the IGA was an uneconomic and harmful experience for both ourselves and Canada, only an illusion to Australia and a misdirection to the EEC. Nevertheless, the International Wheat Council is beginning to talk about renewing or extending the IGA beyond its present expiration date of June 30, 1971. We should heed the hard experience we had with IGA and let them know that we are not interested in any further attempts to administer world wheat prices through formalized international arrangements.

Thank you, Mr. Chairman.

Mr. BURLESON. Thank you, Mr. Goodman.

Mr. Schneebeli?

Mr. SCHNEEBELI. You think our experience in the Kennedy round was an economic disaster. You seem to be in agreement with many of the people who preceded you on the same subject, be they in the manufacturing or agricultural area, that they were not assisted very much at the GATT.

Mr. GOODMAN. I think that in the case of agriculture there was virtually nothing gained of value to the United States, not at least in the major commodities. In certain cases there were definite negative outcomes.

Mr. SCHNEEBELI. Thank you very much.

Mr. BURLESON. The thrust of your general statement over all, Mr. Goodman, is that if we wish to export we have to import; is that correct?

Mr. GOODMAN. Yes. It is obvious that we must have a balanced trade situation with most of our major trading partners in the world.

Mr. BURLESON. Do you think that we are doing all that we can do to encourage agricultural exports?

Mr. GOODMAN. Agricultural exports?

Mr. BURLESON. Yes.

Mr. GOODMAN. No, I think not. I think we should be doing a great deal more than we are doing.

Mr. BURLESON. Have we failed to be, using your word, aggressive? Have we failed over the years in being a salesman for our products?

Mr. GOODMAN. No, I think our record except for perhaps a bad situation on wheat under the international grains arrangement, that we have done a rather good job of being aggressive in the sale of agricultural commodities, at least in the grains field that I am addressing myself to.

I think where we have fallen short in large measure in maximizing our agricultural export potential is in the policy field in dealing with the protective devices that have been used to keep our exports out of certain markets. I make reference to the EEC, the United Kingdom. We have some problems in that regard with Japan. I am more optimistic about working those out than in Europe, although I think we sought to get at this business in Europe in a strong and decisive way. We have not done that, in my opinion, at all in the last 10 years. The fact is that I think our policy on trade generally has let that drift into its present highly unsatisfactory state.

Mr. BURLESON. You make mention of the present farm bill that is now in the Agriculture Committee, and doubtless you are familiar with the so-called coalition bill. Do you think that bill is conducive to greater opportunities for exports of agricultural products?

Mr. GOODMAN. There is less difference between the administration or the so-called concensus proposals and the coalition bill directly involved in exports. I think the major differences in those two pieces of legislation are with respect to commodity program operations domestically and the costs associated with running those programs.

There is some difference, however, in the effect on our exports. I am simply saying I think they are less pronounced than the other differences. Here in that regard I would simply say that I believe that what the Secretary and the chairman of the House Agricultural Committee definitely have had in mind in pursuing the bill that they have pursued together is that it provides a maximum amount of flexibility and competitiveness towards export markets than they felt they could get in legislation at this time. It is better in that regard than the coalition bill, in my opinion.

Mr. BURLESON. You would agree that we need to have a farm bill since the present act expires at the end of this year, and that we are not getting a new bill very fast? You will agree with that?

Mr. GOODMAN. Yes. I understand that there is a little difficulty there.

Mr. BURLESON. A few differences of opinion?

Mr. GOODMAN. That is what I understand.

Mr. BURLESON. Thank you very much, Mr. Goodman. We appreciate your statement.

Mr. GOODMAN. Thank you.

Mr. BURLESON. We continue with some related subjects we have had here before. Mr. William S. Mahoney, chairman of the Anti-Friction Bearing Manufacturers Association.

STATEMENT OF WILLIAM E. DECAULP, CHAIRMAN, FOREIGN TRADE COMMITTEE, ANTI-FRICTION BEARING MANUFACTURERS ASSOCIATION

Mr. DECAULP. Mr. Chairman, Mr. Mahoney was called out of the country on business. I am chairman of the Foreign Trade Committee of the association and secretary and general counsel of the Fafnir Bearing Co., a member of the association. With your permission, I will substitute for Mr. Mahoney.

Mr. BURLESON. Very good, sir. Would you like to present your statement in total or summarize?

Mr. DECAULP. We have filed with the committee our total statement. I would like to summarize and shorten it just a bit.

Mr. BURLESON. Very well. You may summarize if you wish.

Mr. DECAULP. Mr. Chairman, the Anti-Friction Bearing Manufacturers Association (AFBMA) is a national association comprised of domestic producers who account for more than 80 percent of the Nation's output of antifriction bearings and parts. A list of the association's membership is attached as appendix A. This industry currently produces approximately $1.3 billion worth of bearings with a work force of more than 60,000 in some 20 States.

POSITION OF THE ASSOCIATION

Our association has requested this time to appear in the very real hope that the Ways and Means Committee will recognize the essentiality of the antifriction bearing industry and the immediate need for some type of import adjustment. In past appearances we have pointed to serious import penetrations in specified size and precision categories. An investigation with respect to miniature and instrument precision ball bearings has been pending for the last 16 months before the Office of Emergency Preparedness. This investigation has been described in more detail by Congressman Cleveland.

While imports from Europe are serious, Japan is the country threatening the future life of the U.S. antifriction bearing industry.

Expansion of Japanese bearings productive capacity has resulted in an increase in exports to the United States (65 percent of imported dollar volume in 1969) and an attendant rise in the overall ratio of imports to apparent consumption and production. Price still is the major cause for imports of bearings. While the difference in wage rates is a substantial factor in pricing, our industry believes that the rationalization of the industry, a practice illegal under U.S. law but sanctioned by the Japanese Government, has produced an economy in production costs that supports predatory pricing practices. Also we are aware of the support given to the bearing exporters by way of subsidies, mostly indirect, from the Japanese Government.

We have pursued administrative remedies, such as an application to OEP under national security amendment, supplying information in anti-dumping investigations, requesting better statistical information from Department of Commerce and Bureau of Customs. However, only in securing more complete import statistics have we had any success.

While we have been seeking an administrative solution we have not ignored our internal efficiencies; that is, we have to the best of our resources developed the latest in machinery and equipment, maintained sophisticated engineering staffs both for improving manufacturing techniques as well as design of bearings, and pursued research into usage of new materials. All this aimed at raising efficiency, reducing costs, and maintaining and increasing sales of domestically produced bearings.

At our request, Congressman Meskill introduced H.R. 11910, Anti-Friction Bearing Orderly Trade Act of 1969. This bill which is now before the Ways and Means Committee is designed to permit foreign manufacturers, such as the Japanese, a fair share of the U.S. market while also providing for the continued existence of the domestic industry in its historic form. Thus, H.R. 11910 is consistent with the import adjustment intended for the textile and leather footwear industries by the Mills bill (H.R. 16920).

We are not questioning the importance to the Nation of the textile and leather footwear industries and the serious import problems they are experiencing. However, we submit that this committee should not overlook the antifriction bearing industry which is absolutely vital to the nationl security and economic health of this Nation in its considerations of statutory protection for basic American industries.

Our efforts to obtain import adjustments have made clear to us two facts: First, our ability to compete against imported bearings is severely curtailed by the assistance given to the foreign competitor by two strong allies—the Japanese Government and the U.S. Government; second, unless the Congress provides statutory protection, the domestic industry must seriously consider whether to export American jobs and import bearings.

Every administration appears to be surprised that at every opportunity, such as this very hearing, industry after industry pleads for consideration of its trade problems and for import adjustment. To date the result has been only that they are described as "protectionist." Gentleman, if being a protectionist means that we are attempting to protect American jobs, American communities, the American ideals of fairplay, yes, we are "protectionists."

We urgently request, therefore, that this committee report out H.R. 11910 or amend title I of H.R. 16920 to include antifriction bearings along with textiles and leather footwear.

INDUSTRY ESSENTIAL TO NATIONAL DEFENSE

While the products of the antifriction bearing industry, in a very real way, are one of the cornerstones of any industrialized society, their posture in our program of national defense is even more important. Without bearings airplanes would not be able to fly to their targets, missiles could not be guided, communications would flounder. It would be safe to say that the defense capability of this country would not only be crippled, it would be ruined.

There is no one who seriously questions the paramount role of bearings as the controlling element in the manufacture of practically every item of defense hardware which has moving parts—in truth this is the basic "pacing component." This historical record of this industry in times of national crisis provides indisputable evidence of the interrelationship between national security and a healthy, viable antifriction bearings industry. This interrelation again received reaffirmation with the military buildup in Southeast Asia. Increased requirements precipitated by active military operations pushed industry production to new, alltime high. An important consideration was the demand for spare bearings necessary to support military equipment, particularly aircraft and helicopters in service. These requirements increased with the number of hours flown; hence, the need for spare bearings increased to many times the number required for new production. This is typical, and to be expected, during any period of actual military combat.

In all past wars the production capacity has served as a mobilization base to supply defense needs. As imports have captured an ever-increasing share of the U.S. market, domestic bearing productive capacity has not built up at the same rate as the national demand for these items. Careful consideration should be accorded this threat that the capacity of the bearing industry will not be sufficient in the next wartime buildup.

IMPACT OF IMPORTS ON BALL BEARING INDUSTRY

Ball bearings have a history of export-import movement. There are thousands of sizes, each with expensive tooling requirements. A producing country can expect to export a portion of its high volume sizes and will import other less widely used sizes. In the years following World War II, the United States annually exported about 5 percent of its ball bearing production. Early in this period imports were minor. When imports started growing rapidly they concentrated on a relatively few basic high volume types on which the product engineering had been accomplished. Ball bearings of these types provide the volume and profit which enables the producers to engineer and develop, at a reasonable price level, the more specialized lines upon which our defense effort is so reliant. By 1969, reported imports of ball bearings exceed exports of 47 percent ($15 million). Also in 1969, statistical data became available on the number of imported ball bearings of various size groups. We are alarmed to find that more than one-third of domestic consumption of ball bearings in the high production sizes are imported. (See app. B, p. 3744.)

The United States has significant exports of ball bearings to Germany, France, and the United Kingdom. This is not true for Japan. Here artificial barriers to trade are raised in the form of import licenses and currency controls. Is this free trade? Certainly, it is not fair trade.

IMPACT ON ROLLER BEARING INDUSTRY

The roller bearing industry is in the fortunate position of having, at present, a favorable balance of trade, as compared with ball bearing subindustry where the imports exceed exports by some 47 percent and in fact, gentlemen, in certain significant high-production sizes of ball bearings one-third of the U.S. consumption now is supplied by imported bearings. But even with roller bearings the imports continue to rise each year. In 1969 the increase over all was 17 percent, mainly from Japan, which increased its exports into this country of roller bearings by some 54 percent.

IMPORT STATISTICS

While import statistics are not a direct subject of these hearings, their importance in demonstrating the effects of imports makes them a matter of great concern. In 1969 the units of ball bearings were reported for the first time which made it possible to quantify the seriousness of import penetration.

Present import statistical categories, while of great value, are still not sufficient. One cause is that the U.S. Bureau of Customs has not been given the money and people to collect the necessary information. The number of employees simply has not increased with the growth of imports. We recommend an increased budget to support the Bureau of Customs.

CONCLUSION

Mr. Chairman, there is no question that international trade and the numerous factors which are inherent in trade policies are extremely complex. We have no all-encompassing proposal to establish a new frontier in this area. Rather, in these few minutes I hope I have conveyed a sense of urgency for the Congress to legislate fair trade protection for our basic and vital industry.

Trying to stay within the allotted time, I have not included statistics and other data. Also, we will be happy to supply to the committee, or its staff, at your convenience all data available to us.

We are grateful for this opportunity to appear before this committee. While recognizing the complexities of the problems, and the need for thoughtful review of the views expressed during this hearing, nevertheless our industry cannot afford a prolonged continuation of our deteriorating position. We urge, therefore, early enactment of meaningful protection.

Thank you, sir.

Mr. BURLESON. Thank you very much. That is a very impressive statement.

Are there any questions from either Mr. Schneebeli or Mr. Pettis?

Mr. PETTIS. No questions.
Mr. BURLESON. Thank you very much, sir.
Mr. DECAULP. Thank you, Mr. Chairman.
(App. A and B referred to follow:)

APPENDIX A—LIST OF MEMBERS OF ANTIFRICTION BEARING MANUFACTURERS ASSOCIATION, 1970

The Abbott Ball Co., West Hartford, Conn.
Aetna Bearing Co., a Textron Division, Chicago, Ill.
American Roller Bearing Co., Pittsburgh, Pa.
The Barden Corp., Danbury, Conn.
Brenco, Inc., Petersburg, Va.
The Fafnir Bearing Co., Division of Textron, New Britain, Conn.
The Federal Bearings Co., Inc., Poughkeepsie, N.Y.
Federal-Mogul Corp., Detroit, Mich.
FMC Corp., Link-Belt Bearing Division, Indianapolis, Ind.
Freeway Washer & Stamping Co., Cleveland, Ohio.
General Bearing Co., West Nyack, N.Y.
Hartford-Universal Co., Division of Virginia Industries, Inc., Rocky Hill, Conn.
Hoover Ball & Bearing Co., Ann Arbor, Mich.
Industrial Tectonics, Inc., Ann Arbor, Mich.
Keystone Engineering Co., Los Angeles, Calif.
L & S Bearing Co., Oklahoma City, Okla.
Marlin-Rockwell, Division of TRW Inc., Jamestown, N.Y.
McGill Manufacturing Co., Valparaiso, Inc.
Messinger Bearings, Inc., Philadelphia, Pa.
MPB Corp., Keene, N.H.
National Bearings Co., Lancaster, Pa.
New Departure-Hyatt Bearings Division, General Motors Corp., Sandusky, Ohio.
New Hampshire Ball Bearings, Inc., Peterborough, N.H.
Norma FAG Bearings Corp., Stamford, Conn.
Orange Roller Bearing Co., Inc., Orange, N.J.
Pioneer Steel Ball Co., Inc., Unionville, Conn.
Rex Chainbelt, Inc., Bearing Division, Downers Grove, Ill.
Rollway Bearing Co., Inc., Syracuse, N.Y.
SKF Industries, Inc., Philadelphia, Pa.
Smith Bearing Division, Garwood, N.J.
Sterling Commercial Steel Ball Corp., Sterling, Ill.
The Superior Steel Ball Co., New Britain, Conn.
The Timken Roller Bearing Co., Canton, Ohio.
The Torrington Co., Torrington, Conn.
Winsted Precision Ball Corp., Winsted, Conn.

APPENDIX B

PRODUCTION, EXPORTS, IMPORTS, AND DOMESTIC CONSUMPTION OF BALL BEARINGS, BY TYPE AND SIZE, 1969

[Quantity in thousands of units]

Type and size (1)	U.S. production (2)	Exports (3)	Imports (4)	Consumption within United States (2) minus (3) plus (4) (5)	Imports as related to consumption (percent) (6)	Imports as related to production (percent) (7)
Radial, O.D.:						
0 to 9 mm	6,232	373	2,916	8,775	33	47
9 to 30 mm	66,561	3,988	33,871	96,444	35	51
30 to 52 mm	85,939	5,149	39,077	119,867	33	45
Over 52 mm	75,080	4,499	12,749	83,330	15	17
Other than radial	49,499	2,966	3,038	49,571	6	6
Total	283,311	16,975	91,651	357,987	26	32

Note: This tabulation does not include (1) ball bearings from Canada for assembly into automobiles. Total of these (ball and roller bearings) in 1969 was $3,419,678; (2) unground (nonprecision) ball bearings. Totals believed to be small.

Source of data: U.S. production—Department of Commerce, BDSA preliminary data. Exports—Bureau of Census data on value of exports has been used as a base. It has been assumed that exports are subdivided by size in the same ratio as domestic production. Imports—Bureau of Censes data.

Mr. BURLESON. The next witness is Mr. Edward M. Rhodes, special consultant to American Sprocket Chain Manufacturers Association.

We are glad to have you, Mr. Rhodes. I see you have brought samples.

STATEMENT OF EDWARD M. RHODES, SPECIAL CONSULTANT, AMERICAN SPROCKET CHAIN MANUFACTURERS ASSOCIATION

Mr. RHODES. I thought you might like to know what a sprocket chain looks like.

Mr. BURLESON. Proceed, Mr. Rhodes. If you wish to file your own statement you may do so.

Mr. RHODES. We ask that our written statement, which we have filed with the committee, be included as a part of the record.

Mr. BURLESON. Without objection, it is so ordered.

Mr. RHODES. In my oral testimony I should like to condense and summarize.

My name is Edward M. Rhodes. I am a founder and past president of the American Sprocket Chain Manufacturers Association. I was active in the sprocket chain business for 26 years with Rex Chain Belt, Inc. At present I am consultant for the association.

The American Sprocket Chain Manufacturers Association is a voluntary nonprofit association. The 12 member companies of ASCMA, and a number are represented in the hearing room today, account for substantially all of the domestic production of sprocket chain. We have chain plants in Connecticut, Illinois, Indiana, Massachusetts, New York, North Carolina, Ohio, Pennsylvania, Tennessee, and Wisconsin.

This statement is limited to the types of sprocket chain known as transmission roller chains, and leaf chains, which are covered by American National Standards Institute Standards B29.1, B29.3, B29.4, B29.5, and B29.8.

These types of chains are known as roller chain. Roller chain built to these specifications range from quarter-inch pitch to chains which can weigh over 60 pounds a foot and have a breaking strength of half a million pounds.

Seven U.S. companies, all members of ASCMA, account for all the roller chain manufactured in the United States. A 15-year history of U.S. production assembled by ASMCA, is given on page 3 of our written statement.

Roller chain manufactured in the United States in 1969 weighed 65 million pounds, totaled $90 million, and employed 4,850 people. These production figures are illustrated on page 5, figure 1, of our written statement.

In units, domestic roller chain has average 63 million pounds annually for the past 5 years. The U.S. production peak was in 1966 at 68 million pounds, and has been below this ever since even though the economy has grown in this period. But imports of roller chain, shown on page 4 of our written statement, in tabular form, have grown rapidly throughout this whole period. In the last 14 years domestic production has grown less than 50 percent, from 44 million pounds in 1955 to 65 million pounds in 1969. But in these same 14 years, imports have grown from one and a half million to 22 million pounds, a 1,360-percent increase.

Now, where is all this roller chain used? You probably first saw a roller chain on a bicycle where it is used to transmit power from the pedals to the rear wheel. Later on you may have seen chain in a bottling plant or dairy or on a power shovel or lift truck. Roller chains are used as an essential component part of a multitude of machines, from photographic, radio, and office equipment to agricultural combines for harvesting wheat or corn and for picking cotton, to huge slings for handling hundred-ton forgings.

Typical military uses for roller chain include aircraft, both combat and cargo, military trucks, tanks, all sorts of naval craft, amphibious vehicles, missile launchers, military construction equipment and supply depots. All these require chain.

To feed troops we need food processing and packaging equipment and water purification machinery. To clothe them, cotton gins, spinning mills, looms and sewing machines. And to house them, construction equipment of all kinds. Saw mills and woodworking machinery are required. In hospitals, elevators and even X-ray equipment use roller chain.

To transport men we need trucks, automobiles, locomotives, commercial aircraft. To move material, lift trucks and hoists. All these use roller chain.

And to build military and strategic equipment takes roller chain for machine tools, for industrial furnaces and ovens, industrial machinery, automatic assemblying machines, material handling equipment.

To provide and transport raw materials and fuels, coal mining and processing, ore mining machinery. Steel mills, oilfield drilling, cement mills, all depend on roller chain.

So to maintain U.S. productive facilities replacement chains are essential.

The largest market category for roller chain is agricultural implements. Chain drives and conveyors are used on machines for seeding, fertilizing, mowing, harvesting, handling, conveying and elevating almost every farm crop—grains, fruits, and vegetables.

Our human foods as well as feed for cattle and poultry are again handled after harvesting on chains or chain driven machinery when they are prepared and packaged.

Another large market for chain is construction equipment. Power cranes, shovels, ditch diggers, concrete mixers, gravel plants all use chain.

Road building machinery, from earth moving to final paving, depends on chain conveyors and chain drives.

But the replacement market is the largest of all. Chain drives can be selected to outlast the equipment on which they operate, but many applications of roller chain are made on a "limited life" basis to save space, weight, and original cost. On these limited lift applications, which include construction, agricultural, and most mobile equipment, the chains must be replaced from time to time during the life of the machine, just as new tires and batteries must be installed in an automobile occasionally.

Roller chain is essential to the U.S. economy. In all these machines roller chains are the tendons that connect the muscles, the power source, with the fingers that grasp and twist and lift and carry and turn and position. Roller chains wear out and must be replaced if the equipment is to function.

In an emergency we must continue to have the ability here at home to produce chain and to design and build chainmaking machinery. This capability cannot be created overnight. For example, it takes 4 to 6 years experience after college to train a designer of chain machinery. We think it is essential that the United States maintain a strong chain manufacturing capacity. Roller chains are indispensable in our economy.

Now we in the industry have seen what happened to bicycle chain. In 1948 U.S. manufacturers produced over 14 miles of bicycle chain every working day for the domestic market. But imports, first from Europe and then from Asia, damaged this domestic production so much so that 10 years later, in 1958, U.S. production went from over 14 miles a day to about half a mile a day. Today, U.S. production of chains for bicycles is practically zero. All but one manufacturer has abandoned this item completely. The special machinery to produce chains for bicycles has been junked or dismantled.

It is too late to do anything about bicycle chain, but we can profit from our bicycle chain experience because today we see the same import trends in the whole industry that we saw 20 years ago in bicycle chain.

The growth of imported chain as a percent of the total U.S. chain market—that is, U.S. production plus imports—is given on page 3748 and illustrated on page 3749 of our written statement.

In 1955 imported chain amounted to only 3.3 percent of domestic consumption. Last year in 1969 imported chain was over 25 percent of U.S. usage of roller chain, more than 7½ times the 1955 percentage. This means for every 3 pounds of chain that we made here in the United States we imported 1 pound.

If this trend continues, if imports continue to take over more and more of our domestic market, U.S. plants will not be able to support our needs in an emergency.

We need chains not only for essential military and strategic equipment but for feeding and housing our civilian population and our military forces.

In our business we have a saying that you need chains wherever wheels turn. We won't be able to meet these needs domestically if the entire chain industry continues this way and goes the way of bicycle chain.

Our statement is intended to furnish the committee with current and accurate information as to the impact of imports on one small but vital segment of American industry. It is not intended to present a legal or political analysis of all the various trade proposals pending before the committee. But we want to state our general position as to three of those proposals:

First, we strongly endorse the proposal advanced by both the administration and Chairman Mills to liberalize the escape clause and to make relief against injury caused by imports more readily available. We think relief should be available when an industry can show that imports have played a substantial role in causing or threatening injury.

Second, we urge that serious consideration be given to the enactment of omnibus quota legislation. It may be that some form of potentially available, across-the-board, quantitative restrictions on imports is the only practical way to stave off the further injury that threatens not only chain manufacturers but many other producers of important industrial products.

Third, and less controversial, we favor amendment of the Anti-Dumping Act of 1921 to make relief against dumping more practically available. It appears likely that many foreign chain sales in the United States are at prices below those in the home market. To provide a realistic procedure for obtaining relief in the event that further studies confirm our assumptions, we urge enactment of legislation which would eliminate significant weaknesses in the 1921 statute.

We appreciate the opportunity to present this testimony, Mr. Chairman.

(Mr. Rhodes' prepared statement follows:)

STATEMENT OF EDWARD M. RHODES, SPECIAL CONSULTANT, AMERICAN SPROCKET CHAIN MANUFACTURERS ASSOCIATION

I. This statement is presented by the American Sprocket Chain Manufacturers Association (hereinafter referred to as ASCMA). The ASCMA is a voluntary nonprofit trade association comprised of U.S. firms and corporations engaged in the design, manufacture, and sale of sprocket chains for the mechanical transmission of power and for conveying and elevating. The 12 member companies of ASCMA account for substantially all of the domestic production of sprocket chain, and have chain plants in Connecticut, Illinois, Indiana, Massachusetts, New York, North Carolina, Ohio, Pennsylvania, Tennessee, and Wisconsin.

ASCMA speaks on behalf of the industry in matters of general concern, such as the establishment of standards for chains and sprockets.

II. Description of roller chain: This statement is limited to the types of sprocket chain known as transmission roller chains (and leaf chains) as covered by American National Standards Institute Standards B29.1, B29.3, B29.4, B29.5, and B29.8. These types of chains are known in the trade as "roller chain" and will be referred to as such hereinafter.

Seven U.S. companies, all members of ASCMA, account for all the roller chain manufactured in the United States.

TABLE 1

III. ROLLER CHAIN MANUFACTURED IN UNITED STATES

Year	Quantity (thousand pounds)	Amount (thousand dollars)	Employment
1955	43,700	45,600	3,410
1956	45,700	51,500	3,730
1957	40,700	49,700	3,710
1958	34,100	45,500	3,300
1959	47,500	63,200	3,990
1960	42,800	57,100	3,850
1961	40,400	56,700	3,750
1962	46,200	62,200	3,820
1963	48,400	65,800	3,950
1964	56,200	74,400	4,410
1965	60,300	78,300	4,530
1966	68,100	89,600	4,980
1967	60,800	80,400	4,690
1968	62,100	84,300	4,540
1969	64,900	90,200	4,850

Statistics on domestic production of roller chain are assembled by ASCMA and represent all or substantially all of the roller chain produced in the United States of America.

TABLE 2

IV. ROLLER CHAIN IMPORTED

Year	Quantity (thousand pounds)	Amount (thousand dollars)
1955	1,500	500
1956	1,900	600
1957	3,600	1,200
1958	3,300	1,400
1959	5,500	2,700
1960	5,900	2,800
1961	5,700	3,000
1962	6,400	3,400
1963	7,300	3,700
1964	10,600	5,200
1965	13,400	6,500
1966	14,200	7,400
1967	13,300	7,200
1968	18,200	9,500
1969	22,000	11,100

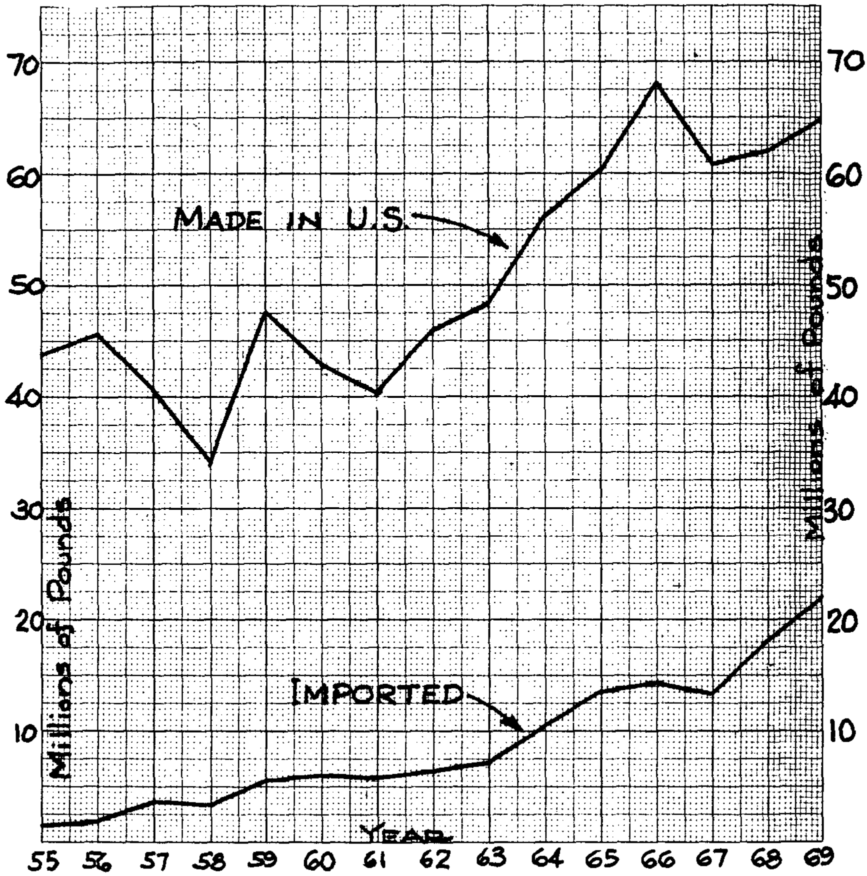
Note: 1969 imports weighed 14.7 times 1955 imports.

Imports statistics are based on: U.S. Bureau of the Census Report No. FT–135, Group 698—Manufacturers of metal, not shown elsewhere; item 6983020, chains used for the transmission of power and parts thereof, of iron or steel.

Imports of power transmission chains, other than finished roller chains, included in these statistics are insignificant and undoubtedly amount to less than 1 percent of the total.

FIGURE 1

ROLLER CHAIN: DOMESTIC AND IMPORTED
(in Millions of Pounds)
1955 through 1969



Figures from Tables 1 and 2, Pages 3 and 4

TABLE 3

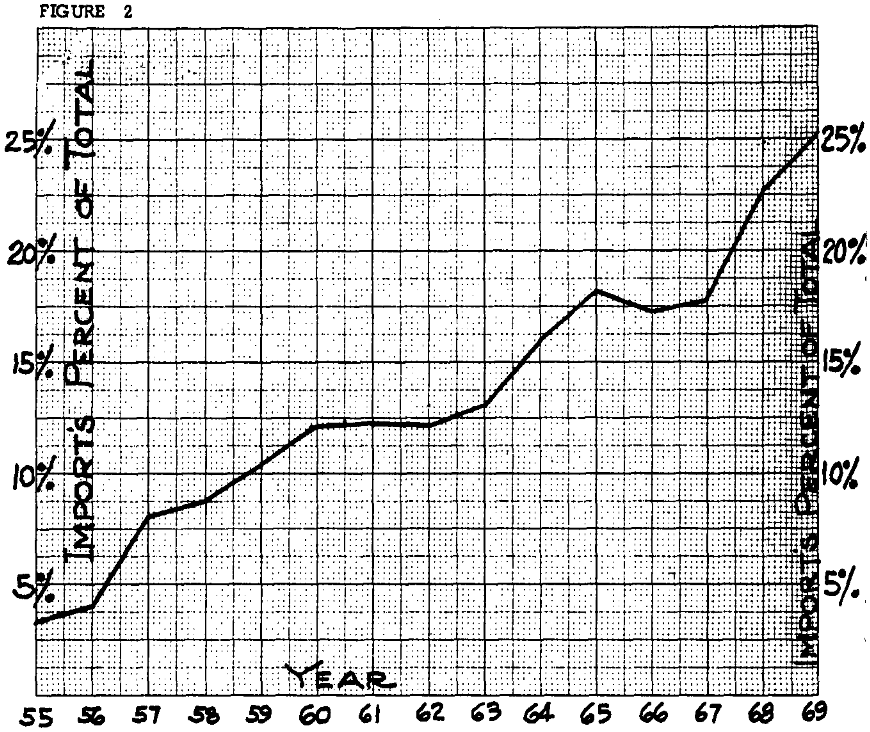
V. IMPACT OF IMPORTS ON TOTAL U.S. ROLLER CHAIN MARKET

Year	Total market (thousand pounds) (from tables 1 and 2)	Percent imported
1955	45,200	3.3
1956	47,600	4.0
1957	44,300	8.1
1958	37,400	8.8
1959	53,000	10.4
1960	48,700	12.1
1961	46,100	12.3
1962	52,600	12.2
1963	55,700	13.1
1964	66,800	15.9
1965	73,700	18.2
1966	82,300	17.2
1967	74,100	17.9
1968	80,300	22.7
1969	86,900	25.3

Note: For every 3 pounds of U.S.-made roller chain in 1969, we imported 1 pound. Had this imported roller chain been made here, 1,600 more people would have been employed by the industry.

GROWTH OF IMPORTED ROLLER CHAIN
as a percent of
Total United States Usage
(U.S. Production plus Imports)
in pounds.

FIGURE 2



Figures From Table 3, Page 6

VI. Typical uses of roller chain: You may have first seen a roller chain on a bicycle where it is used to transmit power from the pedals to the rear wheel. Later on you may have seen chains in a bottling plant, on a power shovel digging a foundation, or on a lift-truck in a warehouse.

Roller chains built to specifications of the American National Standards Institute range from quarter-inch pitch requiring 192 parts to form 1 foot with a total weight of less than one and one-half ounces, to chains weighing over 60 pounds per foot with a breaking strength of half a million pounds.

Roller chains like these are used as essential component parts of a multitude of machines—from photographic, radio, and office equipment to agricultural "combines" for harvesting wheat or corn and for picking cotton, to huge slings for handling hundred-ton forgings.

(*a*) Typical military uses of finished roller chain:

Aircraft, combat—control linkages; canopy mechanism; radio tuning drive; stabilizer control.

Aircraft, cargo—kneeling mechanism; conveyors.

Military trucks—engine timing drive; propel drive.

Battle tanks—ammunition conveyor; gun charging mechanism; engine timing drive.

All terrain vehicles—propel main drive.

Naval craft—steering mechanism; elevator; ammunition conveyor; sonar equipment; diesel engine timing; pump drives; winch drives; torpedo storage; hoists.

Communications—radio mechanisms; radar mechanisms; radar dome rotator; radar calibration equipment; reconnaissance camera synchronizer.

Amphibious vehicles—Track mechanism; various drives.

Supply depots—Conveyor chain; lift truck chain.

Explosives manufacturing—Curing Conveyor.

Ammunition manufacturing—conveyor mechanism.

Missile launching (land and ship based)—hoist mechanism; positioning mechanism.

Airport runway maintenance—sweeper drives; sweeper conveyors.

Military construction equipment—main drive; propel drive; hoisting drive; conveying mechanism; digging mechanism.

(*b*) Typical strategic uses for finished roller chain:

1. Feed (clothe, house, and care for troops—

a. Feed—
- (1) Agricultural equipment.
- (2) Food processing equipment.
- (3) Food packaging equipment.
- (4) Kitchen equipment.
- (5) Water purification machinery.

b. Clothe—
- (1) Cotton harvesting machinery.
- (2) Cotton gins.
- (3) Spinning mills.
- (4) Looms.
- (5) Sewing machines.

c. House—
- (1) Construction equipment.
- (2) Earthmoving equipment.
- (3) Concrete mixing and placing machinery.
- (4) Air compressors.
- (5) Saw mill machinery.
- (6) Woodworking machinery.

d. Care—
- (1) Hospital equipment.
- (2) X-ray equipment.

2. Transport men and material—
- a. Trucks and automobiles.
- b. Locomotives.
- c. Commercial aircraft.
- d. Lift trucks.
- e. Conveyors.
- f. Cargo handling.
- g. Cranes and hoists.

3. Establish operational bases—
   a. Airport runway construction.
   b. Roadbuilding.
   c. Paving.
   d. Earthmoving.
4. Build military and strategic equipment—
   a. Machine tools.
   b. Industrial furnaces and ovens.
   c. Metalworking.
   d. General industrial machinery, such as:
      (1) Plating.
      (2) Automatic assembly machines.
      (3) Cutting and sawing machines.
      (4) Straighteners.
   e. Waste disposal.
   f. Material handling.
5. Maintain and repaid military equipment—
   a. Maintenance equipment.
   b. Replacement chains.
6. Provide and transport raw materials and fuels—
   a. Coal mining and processing.
   b. Metallic ore mining.
   c. Steel mill equipment.
   d. Oilfield drilling equipment.
   e. Pipeline construction and operating equipment.
   f. Lumbering and sawmill machinery.
   g. Cement mill equipment.
7. Maintain U.S. productive facilities—
   a. Replacement chains.
   b. Maintenance equipment.

(*c*) Typical industrial uses of roller chain: The largest market category for roller chain is agricultural implements. Chain drives and conveyors are used on machines for seeding, fertilizing, mowing, harvesting, handling, conveying, and elevating almost every farm crop—grains, fruits, and vegetables from peas to potatoes. Our foods as well as feed for cattle and poultry, are again handled, after harvesting, on chains or chain-driven machinery when they are prepared and packaged. Milk containers, for example, are manufactured, sterilized, filled, and conveyed by machinery utilizing chain.

Construction equipment is another large market for chain. Power cranes and shovels, ditch diggers, concrete mixers, and gravel plants all use chains.

Road-building machinery—from earthmoving to final paving with asphalt or concrete—depends on chain conveyors and chain drives.

The replacement market is the largest chain user of all. While chain drives can be selected to outlast the equipment on which they operate, many applications of roller chain are made on a "limited life" basis to save space, weight and original cost. On these limited life applications (which include construction, agricultural, and most mobile equipment) the chains must be replaced from time to time during the life of the machine. For this reason roller chains must be readily available for replacement wherever such equipment is used—just as new tires, batteries, and mufflers must be installed in an automobile occasionally.

VII. Roller chain essential to U.S. economy: In all these machines roller chains are the tendons that connect the muscles—the power source—with the fingers that grasp or twist or lift or carry or turn or position. Roller chains wear out and must be replaced if the equipment is to function.

In an emergency we must continue to have the ability here at home to produce chain and to design and build and maintain chanmaking machinery. This capability cannot be created overnight. It takes 4 to 6 years' experience after college to train a designer of chain machinery. After an apprenticeship it normally requires more than 5 years of training before a man can build the machinery to make chain. Skilled setup and repairmen need years of training. Operators usually require 6 months to become proficient.

We think it is essential that the United States maintain a strong chain manufacturing capacity. Roller chains are indispensable in our economy.

We have seen what happened to bicycle chain. Bicycle chain was really the beginning of the roller chain industry in the United States back in the 1890's. By

1948 U.S. manufacturers produced over 14 miles of bicycle chain every working day for the domestic market. But imports, first from Europe, then from Asia, damaged this domestic production so much that 10 years later, in 1958, U.S. produtcion went from over 14 miles a day to about one-half mile a day.

Today, U.S. prouction of chains for bicycles is insignificant. All but one manufacturer has abandoned this item completely. The special machinery to produce chains for bicycles has been junked or dismantled. It is too late to save these jobs and skills. But we can profit from this experience.

VIII. Trend of imports: Today we see the same import trends in the whole industry that we saw 20 years ago in bicycle chains. In the last 14 years imports have grown from 1.5 million pounds (750 tons) in 1955 to 22 million pounds (11,000 tons) in 1969—almost 15 times as much. Pounds of domestic production of roller chain have grown less than 1½ times in this same period. Actually, domestic output in 1967, 1968, and 1969 was below 1966.

In 1955 imported chains on which duty was paid amounted to only 3.3 percent of the total U.S. roller chain consumption. Last year, 1969, imports accounted for 25.3 percent of the U.S. usage of roller chain, more than 7½ times the 1955 percent.

If this trend continues, if imports continue to take over more and more of our domestic market, U.S. plants will not be able to support our economy in an emergency. We need chains not only for essential military and strategic equipment but also for feeding and housing our civilian population and military forces. We need chains to maintain our factories throughout the Nation.

We will not be able to meet these needs domestically if the entire chain industry goes the way of bicycle chain.

IX. Recommendations: This statement is intended to furnish the committee with current and accurate information as to the impact of imports on one small but vital segment of American industry. It is not intended to present a legal or political analysis of all the various trade proposals pending before the committee. We do, however, want to state our general position as to three of those proposals.

First, we strongly endorse the proposal, advanced by both the administration and Chairman Mills, to liberalize the "escape clause" to make relief against injury caused by imports more readily available. Under the present law, as we understand it, it is necessary, in order to secure relief, to show that serious injury, or the threat thereof, has resulted in major part from imports attributable to tariff concessions. We think relief should be adavilable when an industry can show that imports, whether or not resulting from tariff concessions, have increased to the point where they are causing or threatening serious injury. Also, we think it should be necessary only to show that imports have played a substantial role in causing or threatening that injury, not necessarily the "major" or "primary" role.

Second, we urge that serious consideration be given to the enactment of omnibus quota legislation, such as H.R. 13975. We realize that such proposals may have significant foreign policy ramifications and that, in arriving at a position with respect to them, competing and sometimes conflicting national interests must be balanced. But today we are witnessing, as perhaps never before in our history, the real possibility of our losing, because of the pressure of imports, important segments of our vital industrial base. It may be that some form of potentially available across-the-board quantitative restrictions on imports is the only practical way to stave off the further injury that threatens not only chain manufacturers but many other producers of important industrial products.

Third, and less controversial, we favor amendment of the Anti-Dumping Act of 1921 to make relief against dumping more practically available. We have no specific information to present at this time as to the comparative selling prices of foreign (particularly Japanese) chain in the United States and in the home market, though it appears exceedingly likely that many foreign chain sales in the United States are at prices below what is charged at home. To provide a realistic procedure for obtaining relief in the event that further studies confirm our assumptions, we urge enactment of legislation, such as H.R. 17605, which would eliminate significant weaknesses in the 1921 statute.

We appreciate the opportunity to present this testimony.

MEMBERS OF THE AMERICAN SPROCKET CHAIN MANUFACTURERS ASSOCIATION

Acme Chain Division, North American Rockwell Corp., Holyoke, Mass.
Atlas Chain & Precision Products Co., Inc., West Pittston, Pa.
Diamond Chain Co., Indianapolis, Ind.
Hewitt-Robins Inc., Stamford, Conn.
Jeffrey Manufacturing Co., Columbus, Ohio.
Link-Belt, Chain and Conveyor Components Division, FMC Corp., Indianapolis, Ind.
Moline Malleable Iron Co., St. Charles, Ill.
Morse Chain, Division Borg Warner Corp., Ithaca, N.Y.
Peoria Malleable, Division of Woodward Co., Peoria, Ill.
Ramsey Products Corp., Charlotte, N.C.
Rex Chainbelt Inc., Milwaukee, Wis.
Webster Manufacturing, Inc., Tiffin, Ohio.

Mr. BURLESON. Thank you for coming, Mr. Rhodes.

Mr. Pettis, do you have a question?

Mr. PETTIS. Thank you, Mr. Chairman.

I would like to ask one question in relation to that chart. Has the technology, I guess that is the right word, the technology in the manufacture of these chains, had any significant advance in the last few years from the standpoint of metallurgy and so on?

Mr. RHODES. No, I don't think so. This is not a new industry. There have been advances and there have been improvements made, but I don't think there have been any major breakthroughs.

Mr. PETTIS. You mention in your testimony that replacement is an important factor in this.

Mr. RHODES. Yes, sir.

Mr. PETTIS. Is it possible one day to make a chain that will last as long as the machine on which it operates?

Mr. RHODES. We can do that today but it would make the machine too heavy. It would take more fuel to operate it. It would make it heavier and it would take more space. It is more economical to put on a chain that must be replaced.

Mr. PETTIS. Really improving the chain is not going to help this declining market?

Mr. RHODES. No. Imports show a growth rate of about 17 or 18 percent over the last 14 years. The domestic industry has been on the decline since 1966. This year for the first few months for which we have statistics domestic production is down and imports are up compared to last year. So this is getting worse.

Mr. PETTIS. Thank you, Mr. Chairman.

Mr. BURLESON. Thank you again, Mr. Rhodes.

Just let me add that I know more about roller sprocket chains than I knew before. That may not be saying a lot.

Mr. RHODES. What, on drilling equipment?

Mr. BURLESON. No, generally. Thank you again, sir.

Mr. RHODES. Thank you.

Mr. BURLESON. Our next witness is Mr. James A. Graham, chairman of the Government & International Affairs Committee of the Industrial Fasteners Institute and Frank Masterson, president of the institute.

STATEMENT OF FRANK MASTERSON, PRESIDENT, INDUSTRIAL FASTENERS INSTITUTE, AND JAMES A. GRAHAM, CHAIRMAN, GOVERNMENT AND INTERNATIONAL AFFAIRS COMMITTEE

Mr. GRAHAM. The Industrial Fasteners Institute has submitted a statement, a summary statement which I would like to submit for the record, and I will confine my remarks to highlighting some of the points.

Mr. BURLESON. Your statement will be included in the record in its entirety.

Mr. GRAHAM. Thank you, sir.

Mr. BURLESON. You may proceed, sir.

Mr. GRAHAM. I am James A Graham, vice president of Standard Pressed Steel Co., an international company engaged in the manufacture of mechanical fasteners, headquartered in Jenkintown, Pa. I am also chairman of the Government & International Affairs Committee of the Industrial Fasteners Institute. I am accompanied today by Frank Masterson, who is the president of the Industrial Fasteners Institute.

Mr. BURLESON. I assume fasteners are zippers, is that right?

Mr. GRAHAM. That is a type of fastener, sir, but we do not include it in the mechanical fastener industry that we are representing here today.

The Industrial Fasteners Institute represents the industry that produces mechanical fasteners of the threaded type, including rivets, nuts, bolts, that type of fastener.

Our industry serves a variety of all industry including aerospace, automotive, appliance, construction, communications, electronics, petrochemicals, with a great deal of activity in both the military and civilian industrial areas.

This product that we represent is in the broadest sense used in practically every type of mechanical assembly, including much of the electronic industry. Wherever something has to be held together with a strength requirement there would be a mechanical fastener application involved.

Our association represents an industry that has sales of about $2 billion per year in the United States. Our association represents 50 members with about 125 plants and the Institute includes about 50 percent of the $2 billion in sales. The total employment in our industry is approximately 75,000.

My remarks on behalf of the Institute are directed primarily to the increasing problem of the great imbalance of fastener trade with Japan. Now I would refer in our prepared statement to exhibit 1 where statistical information is given regarding the trend on fastener exports and imports and in this exhibit it is apparent that since 1964 through 1969 that the imports of mechanical fasteners from Japan into the United States have just about tripled, a little more than tripled.

In listening to some of the testimony earlier today from industries that are related to ours in a mechanical sense, it seems to me that more and more we find evidence that wherever there is a high degree of standardization involved in a product such as a nut or bolt or bearing or a roller chain, that you will find that that particular market is particularly attractive to imported products because generally with a high degree of standardization goes an opportunity for volume sales.

This country has done an extremely good job of standardizing hardware parts such as fasteners. We lead the world in our engineering standards and for all types of threaded products. Our standards are accepted throughout the world as the leading type of engineering document for the product involved. What we are requesting consideration for here is to primarily set up a control so that the Japanese fastener exports to the United States would be leveled off at least at the 1968 level which was approximately $40 million until such time as U.S. fastener exports to Japan reach a level of approximately $30 million.

In our statement here we are asking for a fair trade opportunity. We seek reciprocal fairness. Fair international trade is now not possible with Japan because of their punitive nontariff barriers and licensing practices. The U.S. fastener industry is unique. It has worldwide leadership in engineering development and documentation, use of materials and nonmetals. Most of the development on fasteners has taken place in this country. We supply more than 200 billion engineered assembly components annually.

Our industry is best represented in markets where heavily documented engineering performance standards for assembly are required. The reason we are asking for such action is that nontariff barriers in Japan preclude any equitable balance of trade in fasteners.

The Japanese Government acts as a state monopoly. They have rationalized their fastener industry, providing for allocation of markets both domestic and foreign, determination of prices, and have given Government inducements to export and for the protection of their domestic fastener industry, very similar to the comment made by the bearings people.

U.S. fastener manufacturers at the request of our Government have cooperated with fastener study teams from Japan. Included in our statement is an exhibit from the fasteners institute publication out of Japan and quoting from this statement, "Fasteners industry"—this is in Japan—"is now playing an important role in the improvement of the fastener balance of trade in Japan," and "Importation of fasteners into Japan is limited to those of special types and naturally the amount is very low."

For the year 1969 there is a U.S. deficit of fastener trade with Japan of over $50 million. For the years 1965 through 1969 there is a U.S. deficit of fastener trade with Japan of over $200 million. This is a substantial and growing trade deficit for the United States with only one important trading partner. We feel that this trade deficit with Japan is not caused by U.S. inefficiency.

We have included in our statement certain productivity factors which would indicate that there is a good possibility for the U.S. fastener industry to sell on a competitive basis in Japan. Our productivity per man-hour is considerably higher than the Japanese statistics indicate. So we feel that the deficit is not coming from U.S. inefficiency, lack of innovation or development. Most of the developments are coming from here. But due primarily to factors that are punitive in nature, nontariff barriers. In 1969 the United States was able to meet world competition with a variety of national nontariff barriers because of superior product and strong exporting market effort. Excluding Japan for 1969 the United States would have had a favorable fastener balance of $21 million plus. With the unfavorable balance with Japan of $50 million plus, our net advantage was wiped out and we wound up with a deficit of $29 million for the year.

One thing more to clarify the value of shipments into this country. We have not incorporated the disadvantaged to the United States of using the CIF/FOB value differences which would add roughly 15 to 20 percent to the figures that we show here in our statistics.

It is a major goal and an urgent necessity for the United States to increase exports and secure favorable balance of trade. The Industrial Fasteners Institute supports the need to increase exports. If we achieve the stated goal of increasing exports to Japan to $30 million, and this is our industry's goal, our industry would be doing its part to secure an overall favorable balance of trade for the United States.

We feel that Japan can accept increased amounts of fastener imports from the United States. They have unchallenged leadership in shipbuilding. They are ranking very high, second or third, in automotive, electronics, cameras, et cetera. So they do have a good fastener market and we think we can compete. Indications lead us to believe that the voluntary Japanese steel quotas which have been in effect will result in a shift of Japanese steel exports to the United States from raw material to some other form such as finished goods like fasteners, perhaps even bearings or roller chain. And this shift could rapidly widen the adverse balance of trade which is already unjustifiably high in our opinion.

Our industry is in favor of fair international trade when both partners are bound by the same rules. This is not the situation in the case of fastener products which are virtually excluded as imports into Japan by nontariff barriers and which are subject to little or no restriction as imported products in the United States.

For example, a standard hexagon nut, which is the most basic product of our indutry, used in billions of pieces per year, has a tariff in the United States of less than three-tenths of a cent a pound at this time.

Incidentally, that is a product line on which we have had severe concentration by the Japanese fastener industry. We have virtually stopped any further expansion and caused, as a matter of fact, a regression of the capacity to produce that type of product in the United States over the last 4 to 5 years.

The U.S. fastener industry's overall position with reference to trade with Japan can be summarized as follows:

Almost 54 percent of the total fastener imports to the United States are from Japan and are valued at a little over $52 million per year, whereas only 2.4 percent of the total fastener exports from the United States are to Japan and are valued at slightly under $2 million, and I can add parenthetically that this type of fastener that is being exported to Japan is predominantly for the aerospace industry where there are U.S. airplanes in Japan that need servicing and it comes in the area of spare parts and also for the military and certain electronic equipment which requires maintenance where the fastener is available only from the United States.

Our industry knows the necessity to export, has the capability to export and both the strength and desire to increase exports. We favor international trade and a reasonable sharing of U.S. markets.

Our industry record for exports excluding Japan is good. The Japanese trade in fasteners in the United States we estimate has cost approximately 2,500 U.S. jobs in the fastener industry. So in summary I would like to say that our industry, which is SIC Code 3452, supports the goals and philosophy of the Mills international trade bill, H.R. 16920, and we respectfully request that these goals be extended to include all products in our SIC Code. At present we have some relief for the U.S. industry available in the form of adjustment assistance and escape clause action, very difficult to come by, however. A third and valuable addition would be to provide fair and reciprocal trading rules which would automatically go into operation once certain ceilings do occur.

We seek from your committee the type of U.S. job protection for our industry and fair play in international trade that your bill proposes to secure for textiles and shoes.

The Industrial Fasteners Institute urges Government and legislative action for the fasteners industry following the goals and objectives of the Mills bill especially in trade with Japan.

We urge legislative action which would maintain the level of Japanese fastener exports to the United States at a rate of not more than $40 million annually, the high value reached in 1968.

I might add that there is a higher value in 1969 that was added as a very recent statistic not available when we prepared this statement. But the level was $40 million in 1968. We propose that we hold it at that level.

At such time if the U.S. fastener exports to Japan reach $30 million annually the increase of the U.S. market available to Japan would be proportional to the growth of U.S. fastener exports to Japan.

Mr. Chairman, that is in summary our statement. We appreciate the opportunity to present it to the committee.

(The prepared testimony of the Industrial Fasteners Institute follows:)

STATEMENT OF THE INDUSTRIAL FASTENERS INSTITUTE
CONCERNING FAIR INTERNATIONAL TRADE
HR 16920

Our industry - SIC 3452 - supports the goals and philosophy of the Mills International Trade Bill. We respectfully request that these goals be extended to include all products in SIC 3452.

At present, relief to U.S. industry is available in the form of Adjustment Assistance and Escape Clause action. A third and valuable addition would be to provide fair and reciprocal trading rules which would automatically go into operation once certain ceilings or conditions occur.

We seek from your Committee the type of U.S. job protection for our industry and fair play in international trade that your bill proposes to secure for textile and shoe industry workers.

The Industrial Fasteners Institute urges government and legislative action for the Fasteners Industry following the goals and objectives of the Mills Bill, especially in trade with Japan.

We urge legislative action which would:

> Maintain the level of Japan fastener exports to the U.S. of $40 million dollars annually - the high value reached in 1968. At such time, if U.S. fastener exports to Japan reach $30 million dollars annually, increase of the U.S. market available to Japan would be proportional to growth of U.S. fastener exports to Japan.

The Industrial Fasteners Institute is the association of manufacturers of products in SIC 3452: nuts, bolts, screws, rivets and special engineered assembly components which are vital to the safe performance of all vehicles, electronic systems, machinery and structures.

The Industrial Fasteners Institute urges government and legislative action which would:

Maintain the level of Japanese fastener exports to the U.S. at $40 million annually, the high value reached in 1968.

At such time as U.S. fastener exports to Japan reach $30 million annually, increase of the U.S. market available to Japan would be proportional to the growth of U.S. fastener exports to Japan.

We seek reciprocal fairness. Fair international trade now is not possible with Japan because of their punitive nontariff barriers.

The U.S. Fastener Industry is unique, has world-wide leadership in engineering development and documentation, use of metals and nonmetals, and serves as a problem-solving industry to all other manufacturing, construction and servicing industries including all war materiel.

The U.S. Fastener Industry supplies more than 200 billion engineered assembly components annually.

U.S. world leadership is greatest in mass assembly which relies heavily on documented engineering performance standards for fasteners and assembly components.

Our Statement will show the request to the U.S. Government to maintain Japanese fastener exports to the U.S. at $40 million annually until U.S. fastener exports to Japan reach $30 million annually is fair, reasonable, attainable and in the best interests of both trading partners.

Such action is needed now:

1. Nontariff barriers in Japan preclude any equitable balance of trade in fasteners.

2. The Japanese Government acts as a State monopoly. They have "rationalized" their Fastener Industry providing for allocation of markets - domestic and foreign, determination of prices, government inducements to export and protection of the domestic fastener industry.

3. U.S. fastener manufacturers, at the request of our government, have cooperated with Fastener Study Teams from Japan. Please study Exhibit VII from the Fasteners Institute of Japan. Quoting from this statement - "Fastener Industry is now playing an important role in the improvement of fasteners of balance of trade of Japan", and "Importation of fasteners into Japan is limited to those of special types and naturally the amount is very low."

4. For the year 1969, there is a U.S. deficit of trade with Japan of $50,847,000. For the years 1964 through 1969, there is a U.S. deficit of fastener trade with Japan of $200,981,000. Please refer to Exhibit I.

This is a substantial and growing trade deficit for the U.S. with only one important trading partner. This trade deficit with Japan is not caused by U.S. inefficiencies, lack of innovation or development, low productivity, product reliability or other factors but only by punitive nontariff barriers.

U.S. fastener manufacturers have more engineering documentation, work in more sophisticated areas with all metals and some nonmetals than any other country, including Japan.

If it were not for Japanese trade, our world import/export situation would be:

	1969 Only
U.S. Exports (excluding Japan)	$66,704,000
U.S. Imports (excluding Japan)	45,254,000
U.S. Favorable Balance of Trade	$21,450,000

In 1969, the U.S. was able to meet world competition with a variety of national nontariff barriers because of superior product and strong export marketing effort.

Excluding Japan for 1969, the U.S. would have had a favorable fastener balance of trade of $21,450,000.

With the unfavorable balance with Japan of $50,847,000, our total net advantage was wiped out and a world deficit of $29,397,000 resulted.

These figures show a strong effective export capability by the U.S. blunted by unfair nontariff barriers by Japan.

The adverse results do not incorporate the disadvantage to the U.S. of CIF/FOB differences.

5. It is a major goal and an urgent necessity for the U.S. to increase exports and to secure a favorable balance of trade. The Industrial Fasteners Institute supports the need to increase exports.

   If we achieve the stated goal of increasing exports to Japan to $30 million, our industry will be doing its part to secure an overall favorable U.S. balance of trade.

   Japan can accept increased amounts of fastener imports from the U.S.

   Japan has unchallenged leadership world-wide in shipbuilding, is second or third in automotive, in electronics, in cameras, increasing machinery production, and is preparing to enter prominently in the light jet aviation industry ... a major U.S. export.

6. Indications lead us to believe that the voluntary Japanese steel quotas will result in a shift of Japanese steel exports to the U.S. from raw material to finished goods, such as fasteners. This shift could rapidly widen the adverse balance of trade which is already unjustifiably high.

U.S. markets, unlike foreign markets, do not have the anti-competitive environment of cartels and "rationalization" with the result that the full impact of this Japanese steel conversion will be aimed primarily at the American market.

7. Our industry is in favor of Fair International Trade when both partners are bound by the same rules. This is not the situation in the case of fastener products which are virtually excluded as imports in Japan because of nontariff barriers, and which are subject to little or no restriction as imported product in the USA.

   This position, based on growing unfavorable trends in fastener trade between Japan and the USA, is best illustrated by the statistical data and charts attached to this statement.

The U.S. Fastener Industry's overall position with reference to trade with Japan can be summarized as follows: (1969 figures are used)

53.7% of total fastener imports to the U.S. are from Japan and are valued at $52,551,584.

2.4% of total fastener exports from the U.S. are to Japan and are valued at $1,705,000.

- Our industry knows the necessity to export, has the capability to export and both the strength and desire to increase exports.

- We favor international trade and a reasonable and equitable sharing of U.S. markets.

- o Our industry record for exports, excluding Japan, is good.
- o There is a net minimum loss of 2,500 U.S. jobs in our fastener trade with Japan.
- o The relationship of our industry with Japan does not represent Fair International Trade.
- o Most economic factors now are distorted by stress caused by the war. It is unrealistic to measure imports and their impact on the economy as though all economic factors in the U.S. were now normal. Action is needed now to provide jobs and opportunities to the whole U.S. work force and especially for our military men returning to civilian life.

We appreciate this opportunity to present the views of our industry to members of the Ways and Means Committee of the House of Representatives in support of government action to encourage Fair International Trade.

Exhibit I

UNITED STATES - JAPAN TRADE
1964-1969

The U.S. Government changed its statistical-gathering formulas beginning with the year 1964. We, therefore, have a current precise set of statistical data for industrial fasteners from 1964 through 1969. These data are:

	Total Imports to U.S. From All Countires	Total Exports from U.S. To All Countries	U.S. Deficit Balance of Trade
1964	$ 34,793,000	$ 29,223,000	$ 5,570,000
1965	51,313,000	36,614,000	14,699,000
1966	59,769,000	49,307,000	10,462,000
1967	70,334,000	55,826,000	14,508,000
1968	78,232,000	63,377,000	14,855,000
1969	97,806,000	68,409,000	29,397,000
	$392,247,000	$302,756,000	$ 89,491,000

	Imports to U.S. From Japan	Exports to Japan From U.S.	U.S. Deficit Balance of Trade With Japan
1964	$ 17,221,000	$ 217,000	$ 17,004,000
1965	28,075,000	285,000	27,790,000
1966	32,220,000	387,000	31,833,000
1967	36,538,000	785,000	35,753,000
1968	38,755,000	1,001,000	37,754,000
1969	52,552,000	1,705,000	50,847,000
	$205,361,000	$ 4,380,000	$ 200,981,000

Total Imports to U.S. Excluding Japan 1964-1969	Total Exports from U.S. Excluding Japan 1964-1969	U.S. Favorable Balance of Trade Excluding Japan
$186,886,000	$298,376,000	$ 111,490,000

In this 6-year period the Japan Fastener Industry created a deficit balance of trade for the USA of $200,981,000.

In the same 6-year period, excluding Japan, the U.S. Fastener Industry produced a favorable balance of trade for the USA of $111,490,000.

Again, in the same 6-year period, including Japan:

Total U.S. fastener exports were	$302,756,000
Total U.S. fastener imports were	392,247,000
Unfavorable U.S. Balance of Trade	$ 89,491,000

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Exhibit II

TOTAL FASTENER IMPORTS TO THE UNITED STATES
TOTAL FASTENER IMPORTS FROM JAPAN
1969

TSUSA No.	Product Description	Total U.S. Imports $	Imports From Japan $	% of Total Imports	% From Japan
646,5600	Nuts: Iron & Steel	32,192,803	18,662,476	32.8	58.0
646,5400	Bolts & Bolts & Their Nuts:Iron & Steel	16,033,733	8,813,704	16.4	55.0
646,6320	Cap Screws > 0.24" : Iron & Steel	11,064,133	5,923,598	11.3	53.6
646,6040	Iron & Steel Screws Not Elsewhere Described ≤ 0.24"	6,217,727	5,123,206	6.3	82.3
646,5800	Machine Screws ≥ 0.375" length ≥ 0.125" diameter: Iron & Steel	5,740,879	5,444,494	5.8	94.7
646,4940	Other Wood Screws of Iron & Steel	4,131,839	2,002,675	4.2	48.5
646,6340	Iron & Steel Screws Not Elsewhere Described > 0.24"	3,253,162	1,329,440	3.3	40.8
646,4100	Other Rivets of Base Metal	1,463,253	218,237	1.5	14.8
646,7900	Canadian Article & Original Motor-Vehicle Equipment	5,504,000		5.5	
646,5700	Iron & Steel Studs and Studding	2,615,176	151,939	2.7	5.8
646,7000	Other Washers: Iron & Steel	1,606,048	600,771	1.6	37.4
646,6500	Spiral and Other Lock Washers: Iron & Steel	1,229,355	965,226	1.2	78.5
646,7200	Screw Eyes, Hooks, Rings, Turn Buckles: Iron & Steel	1,056,780	752,253	1.7	71.1
646,7400	Muntz or Yellow Bolts	682,523	156,404	0.7	22.9
646,4920	Lag Screws or Bolts of Iron or Steel	1,152,243	1,063,460	1.2	92.1
646,7500	Bolts, Nuts, Screws, Washers Having Holes, Shanks ≤ 0.24" Not Iron or Steel	775,236	398,874	0.7	51.3
646,7600	Bolts, Nuts, Screws, Washers Having Holes, Shanks > .24" Not Iron or Steel	396,793	170,594	0.4	43.1
646,6020	Cap Screws 0.24" : Iron & Steel	846,043	191,250	0.85	22.6
646,4200	Cotters, Pins & Holders of all Materials	766,032	339,687	0.77	44.2
646,5300	Wood Screws > 0.12" Not of Iron or Steel	426,320	92,056	0.43	21.6
646,7800	Screw Eyes, Hooks, Rings, Turn Buckles of All Materials	247,163	66,509	0.25	26.9
646,4000	Rivets of Iron & Steel Not Machined	299,781	51,991	0.30	17.3
646,5100	Wood Screws ≤ 0.12" Not of Iron & Steel	45,324	23,183	0.04	51.0
646,7700	Studs & Studding of all Materials	60,017	9,562	0.06	15.9
	TOTALS	$97,806,363	$52,551,589	100.0	53.7

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Exhibit III

TOTAL FASTENER IMPORTS TO THE UNITED STATES
TOTAL FASTENER IMPORTS FROM JAPAN
1968

TSUSA No.	Product Description	Total U.S. Imports $	Imports From Japan $	% of Total Imports	% From Japan
646,5600	Nuts: Iron & Steel	25,808,423	13,783,319	33.0	53.0
646,5400	Bolts & Bolts & Their Nuts:Iron & Steel	15,274,581	7,184,554	19.5	47.0
646,6320	Cap Screws > 0.24" : Iron & Steel	7,682,878	3,914,375	9.8	51.0
646.6040	Iron & Steel Screws Not Elsewhere Described ≦ 0.24"	4,138,219	3,037,095	5.3	73.0
646,5800	Machine Screws ≧ 0.375" length ≧ 0.125" diameter: Iron & Steel	4,393,779	4,185,092	5.6	95.0
646,4940	Other Wood Screws of Iron & Steel	3,243,653	1,759,132	4.1	54.0
646,6340	Iron & Steel Screws Not Elsewhere Described > 0.24"	2,797,890	1,097,637	3.6	39.0
646,4100	Other Rivets of Base Metal	1,656,411	258,244	2.1	16.0
646,7900	Canadian Article & Original Motor-Vehicle Equipment	4,376,230		5.6	
646,5700	Iron & Steel Studs and Studding	1,625,705	71,482	2.1	5.0
646,7000	Other Washers: Iron & Steel	1,304,308	342,457	2.1	26.0
646,6500	Spiral and Other Lock Washers: Iron & Steel	976,099	745,053	1.2	76.0
646,7200	Screw Eyes, Hooks, Rings, Turn Buckles: Iron & Steel	641,144	422,197	0.8	66.0
646,7400	Muntz or Yellow Bolts	713,791	149,164	0.9	21.0
646,4920	Lag Screws or Bolts of Iron or Steel	750,142	700,990	0.9	93.0
646,7500	Bolts, Nuts, Screws, Washers Having Holes, Shanks ≦ 0.24" Not Iron or Steel	616,885	269,835	0.8	44.0
646,7600	Bolts, Nuts, Screws, Washers Having Holes, Shanks > .24" Not Iron or Steel	451,741	173,827	0.6	38.0
646,6020	Cap Screws ≦ 0.24" : Iron & Steel	640,126	77,167	0.8	12.0
646,4200	Cotters, Pins & Holders of all Materials	422,407	323,064	0.5	76.0
646,5300	Wood Screws > 0.12" Not of Iron or Steel	409,667	90,548	0.4	22.0
646,7800	Screw Eyes, Hooks, Rings, Turn Buckles of All Materials	103,681	77,751	0.1	75.0
646,4000	Rivets of Iron & Steel Not Machined	120,703	58,180	0.15	48.0
646,5100	Wood Screws ≦ 0.12" Not of Iron & Steel	53,571	29,846	0.02	56.0
646,7700	Studs & Studding of all Materials	29,548	4,279	0.01	14.0
	TOTALS	78,231,582	38,755,288	100.0	49.5

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SUMMARY OF IMPORTS FROM JAPAN 1964-1969

Exhibit IV

TSUSA No.	Product Description	% FROM JAPAN 1964	1965	1966	1967	1968	1969	DOLLAR VALUE FROM JAPAN 1964	1965	1966	1967	1968	1969
646,5600	Nuts: Iron & Steel	42.6	50.1	56	53.9	53	58	5,202,072	10,389,278	13,001,986	14,198,761	13,783,319	18,662,476
646,5400	Bolts, Bolts & Their Nuts: Iron & Steel	55.3	54.6	49	47.7	47	55	4,860,831	6,469,168	5,680,209	7,213,594	7,184,554	8,813,704
646,6320	Cap Screws > 0.25" : Iron & Steel	64.4	68.2	75.5	66.9	51	53.6	1,448,975	2,491,931	3,279,305	3,970,597	3,914,375	5,923,598
646,6040	Iron & Steel Screws Not Elsewhere Described ≦ 0.25"	46.6	67.1	67.6	70.1	73	82.3	386,127	952,971	1,748,248	2,411,806	3,037,095	5,123,206
646,5800	Machine Screws ≥ 0.375' length ≷ 0.125" diameter: Iron & Steel	39	93.4	93.6	91.7	95	94.7	1,778,255	3,152,500	3,055,539	2,778,611	4,185,092	5,444,494
646,4940	Other Wood Screws of Iron & Steel	60.6	55.6	57.4	59.3	54	48.5	1,475,224	1,575,444	1,662,370	1,301,854	1,759,132	2,002,675
646,6340	Iron & Steel Screws Not Elsewhere Described > 0.25"	23.2	34.1	37.5	36.3	39	40.8	233,362	365,490	616,296	792,524	1,097,637	1,329,440
646,6500	Spiral and Other Lock Washers: Iron & Steel	68.4	75	84.6	83.7	76	78.5	322,216	447,164	711,004	757,300	745,053	965,226
646,7200	Screw Eyes, Hooks, Rings, Turn Buckles: Iron & Steel	52	83.9	84.9	78.5	66	71.1	136,702	313,677	490,915	671,738	422,197	752,253
646,4920	Lag Screws or Bolts of Iron or Steel	95	96.5	93.4	98	93	92.1	543,319	735,923	521,364	726,100	700,990	1,063,460
646,7500	Bolts, Nuts, Screws, Washers Having Holes, Shanks ≦ 0.25" Not Iron or Steel	43.3	54.3	44.6	50.3	44	51.3	173,907	200,987	227,206	315,403	269,835	398,874
646,7600	Bolts, Nuts, Screws, Washers Having Holes, Shanks > .25" Not Iron or Steel	29.3	49.1	42.3	41.6	38	43.1	84,528	124,964	132,543	195,708	173,827	170,594
646,4200	Cotters, Pins & Holders of all Materials	44.8	63.2	75.5	61.4	76	44.2	68,779	128,107	220,895	202,379	323,064	339,687
646,7800	Screw Eyes, Hooks, Rings, Turn Buckles of all Materials	33.2	64.6	71	70.7	75	26.9	10,116	31,630	34,056	69,387	77,751	66,509
646,4000	Rivets of Iron & Steel Not Machined	41.1	54.5	49.9	52	48	17.3	22,652	31,698	35,055	45,244	58,180	51,991
646,5100	Wood Screws ≦ 0.12" Not of Iron & Steel	28.2	32.1	49.7	41.4	56	51	13,305	27,368	31,343	28,685	29,846	23,183
	All Other Products	15.7	17.5	11.1	10.9	9.4	2.7	460,362	636,794	771,811	858,624	993,341	1,420,219
	Total percent from Japan for all products	49.5	54.7	62.7	51.9	49.5	53.7	17,220,732	28,075,094	32,220,145	36,538,315	38,755,288	52,551,589

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SUMMARY OF IMPORTS FROM JAPAN 1964-1969 (continued)

		% INCREASE FROM YEAR TO YEAR BASED ON DOLLAR VOLUME						DOLLAR VOLUME FROM JAPAN		INCREASE FROM 1964 to 1969	
TSUSA No.	Product Description	1964	1965	1966	1967	1968	1969	1964	1969	$	%
646,5600	Nuts: Iron & Steel	-	99.5	25.2	9.2	- 2.9	35.4	5,202,072	18,662,476	$13,460,404	258
646,5400	Bolts & Bolts & Their Nuts: Iron & Steel	-	33.1	-12.2	27	- .4	22.7	4,860,831	8,813,704	3,952,873	81.2
646,6320	Cap Screws > 0.25" : Iron & Steel	-	72.1	31.6	21.1	- 1.4	51.4	1,448,975	5,923,598	4,474,623	309
646,6040	Iron & Steel Screws Not Elsewhere Described $\leq$ 0.25"	-	147	83.7	37.9	26	68.7	386,127	5,123,206	4,737,079	1250
646,5800	Machine Screws $\geq$ 0.375" length $\gtrless$ 0.125" diameter: Iron & Steel	-	77.4	- 3.1	- 9.1	50.7	30.0	1,778,255	5,444,494	3,666,239	206
646,4940	Other Wood Screws of Iron & Steel	-	6.8	5.5	-21.7	35.1	13.8	1,475,224	2,002,675	527,451	35.7
646,6340	Iron & Steel Screws Not Elsewhere Described > 0.25"	-	56.7	68.5	28.6	38.5	21.1	233,362	1,329,440	1,096,078	470
646,6500	Spiral and Other Lock Washers: Iron & Steel	-	38.8	59	6.5	- 1.6	29.5	322,216	965,226	643,010	200
646,7200	Screw Eyes, Hooks, Rings, Turn Buckles: Iron & Steel	-	130	56.5	36.8	-37.1	78.2	136,702	752,253	615,551	450
646,4920	Lag Screws or Bolts of Iron or Steel	-	35.5	-29.2	39.3	- 3.5	51.6	543,319	1,063,460	520,141	96
646,7500	Bolts, Nuts, Screws, Washers Having Holes, Shanks $\leq$ 0.25" Not Iron or Steel	-	15.5	12.9	38.8	-14.5	47.9	173,907	398,874	224,967	129
646,7600	Bolts, Nuts, Screws, Washers Having Holes, Shanks > .25" Not Iron or Steel	-	47.4	6	47.7	-11.2	- 1.9	84,528	170,594	86,066	102
646,4200	Cotters, Pins & Holders of all Materials	-	86	72.5	- 8.4	59.7	5.3	68,779	339,687	270,908	394
646,7800	Screw Eyes, Hooks, Rings, Turn Buckles of all Materials	-	213	7.6	104	12.1	-14.4	10,116	66,509	56,393	555
646,4000	Rivets of Iron & Steel Not Machined	-	39.7	10.4	29.1	28.8	-10.6	22,652	51,991	29,339	129
646,5100	Wood Screws $\leq$ 0.12" Not of Iron & Steel	-	106	14.7	- 8.3	4.1	-22.3	13,305	23,183	9,878	74
	All Other Products	-	38.3	21.3	11.3	15.7	43.0	460,362	1,420,219	959,857	208
	Total percent from Japan for all products	-	+63	+14.7	+13.4	+ 6.05	35.5	17,220,732	52,551,589	$35,330,857	205%

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Exhibit V

INDUSTRIAL FASTENERS IN JAPAN 1967

The Fasteners Institute of Japan

The Industrial Fasteners Institute has for years cooperated with our counterparts - The Fasteners Institute of Japan.

Here is a quote from the "Preface" of INDUSTRIAL FASTENERS IN JAPAN, 1967 prepared by the Fasteners Institute of Japan:

> "Fastener Industry in Japan has made a rapid and remarkable progress during the last several years. Both quality and precision in production techniques and mass productivity by specialized method are attained as the result of this progress.
>
> "In 1959, the first, in 1964, the second, and in 1965, the third Small Business Industrial Fasteners Study Teams visited fasteners manufacturing industry in the United States of America.* As the result of their active efforts towards the improvement of fasteners industry in Japan, upon their return from this inspection tour, a great deal of improvement in the establishment of efficient machines and the production management was brought about. The designation of the fasteners industry by the Government as as important item involved in the Machine Industry Development Provisional Measure Law also encouraged the modernization and the rationalization of the industry.
>
> "In accordance with the rapid growth of economic power in Japan, demands for fasteners and investments on the business have shown a great increase, and the fasteners production has expanded to such a big scale as we see today."
>
> (The Industrial Fasteners Institute cooperated with the U.S. Department of Commerce and the U.S. State Department in working cooperatively with five Study Groups from Japan.)

* The fourth visit to U.S.A. was in 1967 and their fifth visit to the Industrial Fasteners Institute was May, 1969.

Quoting from the same 1967 Annual Report under "Production":

> "Fastener industry has expanded year after year through the introduction of mass production system. High economic growth of Japan, expansion of capital investment and mechanization of heavy industry created an increased demand for fasteners and naturally the production also showed a great increase. The development of machine industry since 1956 has made the fastener industry all the more important and the industry is now required to improve the quality of its production so as to help to maintain the precision and efficiency of machine industry.

"Continuous efforts exerted by the fastener industry to meet this requirement through rationalization and modernization of enterprises with the cooperation of the Government under the Law for Machine Industry Development Temporary Measures, and importation of highly advanced machines from Europe and America have now resulted in improvement of both quality and quantity of production."

Quoting from same 1967 Annual Report "Present Condition of facilities In Fasteners Industry":

"This means that we are determined to perform our duties and responsibilities to the international comity of nations. In order to contribute towards prosperity of the world, it is absolutely necessary for us to endeavour ourselves to improve our own industries by means of rationalization, modernization of enterprises and readjustment of distribution system of manufactured goods."

(IFI note): We understand the word "rationalization" in Japan means a government approved monopoly - cartel - government assistance to increase exports and protect domestic imports and a pricing system acceptable in Japan and not acceptable under the laws of the U.S.

"Rationalization" is a potent nontariff trade barrier.

Quoting from same 1967 Annual Report "Standardization":

"Industrial standardization (as well as rationalization and high productivity) played an important role in rehabilization of Japanese economy after the end of World War II."

Quoting from Section 6 of same report under "Export and Import" :

"Export of fasteners increased gradually keeping abreast of the remarkable progress of rationalization and modernization of fasteners industry.

"The liberalization of foreign trade, set out by the Japanese Government helped by its policy for encouragement of export, gives way for increased outflow of fasteners products to foreign countries.

"Fasteners industry is now playing an important role in the improvement of fasteners of balance of trade of Japan.......

"The fasteners Institute of Japan have been exerting efforts for the the orderly increase of fasteners exports through the cooperation of the government and fasteners industrialists of the importing countries.

"Importation of fasteners into Japan is limited to those of special type and naturally the amount is very low."

Exhibit VI

SUMMARY OF FOREIGN TRADE WITH JAPAN

Industrial Fasteners Institute

I. Domestic Japanese Fastener Production

In 1961, Japanese fastener shipments* were $110,000,000. By 1966, these shipments had grown to $240,000,000 or an average annual increase of approximately 17% in the dollar value of shipments. It is estimated that in 1968 Japanese fastener shipments reached $328,000,000. These shipments were produced by 3,634 firms employing a minimum of 77,560 employees. The vast majority of these companies employ less than fifty persons and only nine employ over three hundred. These figures reflect average annual shipments in Japan of $4,000 or less per employee. This compares with United States production of approximately $27,000 per employee.

II. Japanese Exports to the United States

Japan exports approximately 20% of its total domestic production. 68% of all Japanese exports reach the United States. Approximately 14% of the total domestic production is exported to the United States. In 1969, exports from Japan to the United States were at a level of $52,550,000 (FOB Value). These exports to the U.S. had an average value of 23¢ per pound. The following table reflects values for bolts, nuts, and wood screws imported from Japan during 1969:

	$	Weight or Quantity	Average Value
Bolts	7,185,000	66,651,000 lbs.	10.8¢ per lb.
Nuts	13,786,000	63,302,000 lbs.	21.8¢ per lb.
Wood Screws	2,460,000	12,031,000 gross	20.5¢ per gross

III. Exports by the United States to Japan

In 1969, the United States exported $1,705,000 of product to Japan. This results in a trade deficit with Japan of approximately $50,847,000 during 1969. For each dollar received by United States fastener manufacturers, Japanese fastener manufacturers received $30 based on this trade deficit. In terms of domestic production, United States manufacturers exported to Japan less than .11% of domestic shipments; thus, in terms of percent of domestic production exported, the Japanese enjoyed a 127 to 1 advantage.

IV. Job Loss

The Bureau of Labor Statistics estimated in 1965 that 91,000 workers were required for each $1,000,000,000 of goods exported. 54% of these workers were considered primary workers and 46% indirect. Using these yard sticks, our industry lost 3,000 production jobs to imports during 1969. This represents approximately a 5% decline in the U.S. Labor Force employed in fastener manufacturing operations.

* Shipments means Japanese domestic production including exports.

Industrial Fasteners Institute

V. Traffic Cost

The Far East Ocean Shipping Conference rates are as follows:

A. Tokyo to New York -- $33.00 per net ton.
B. Tokyo to Great Lakes Shipping ports -- $35.75 per net ton or $33.50 per net ton on pallets.
C. Tokyo to West Coast ports -- $28.00 per net ton.

The above figures are those rates published by the Far East Ocean Shipping Conference and do not reflect subsidies provided by the Japanese Government. Japanese imports average $316 per net ton; thus, the following factors can be used to calculate shipping cost:

A. Add 10.4% to FOB Values for product entering New York ports.
B. Add 11.3% to product entering at Great Lakes ports.
C. Add 8.9% to product entering West Coast ports.

In general terms, this would add an additional $5,250,000 to the $52,552,000 imported into the United States during 1969 to yield an equivalent CIF Value of imports totaling $57,802,000.

VI. Legislation

In 1949, Japan enacted the Industrial Standardization law to support the standardization of the industry as a whole, and Japanese Industrial Standards were set up in conformity with this law with the object of raising production efficiency, lowering cost, and improving quality of product. The symbol, JIS, on product indicates quality product guaranteed by the Japanese government.

Exported product is subject to standards specified in the Export Control Law. Product designated for export must go through the inspection of the Japanese Machines and Metals Inspection Institute, which is the government approved inspection organization. Only products which pass this inspection are authorized for export.

VII. Consumers of Industrial Fasteners in Japan

The four largest single consumers of Japanese fastener shipments are:

1. Automotive - 36%
2. Electrical Instruments (probably including appliances) - 14%
3. Wholesalers (use unknown) - 13%
4. Aircraft Industry - 5%

Industrial Fasteners Institute

VIII. Valuation of Exports 1956-1963

In 1956, Japan exported 15,173 metric tons having an FOB Value of $5,030,000. This reduces to about 18.4¢ per pound. In 1963, Japan exported 69,212 metric tons having a value of $19,924,000. This has a value of approximately 15.9¢ per pound. These figures reflect a drop of 2.5¢ per pound of exported product for the period.

IX. Advanced Mechanical Fasteners

In 1964, Japan produced 28,300 metric tons valued at $15,800,000 having a value of approximately 31¢ per pound. In the same year United States exports to Japan were 90¢ per pound. The commencement of Domestic Production in 1962 of the F 104 jet fighters under United States license has been the major cause for increased fastener imports into Japan. It is estimated that nearly 70% of the imported fasteners are consumed by the Aircraft Industry, for both domestic manufacture and repair of aircraft owned by airlines, and planes maintained by the United States Air Force in Japan.

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TABLE I

DOMESTIC PRODUCTION of INDUSTRIAL FASTENERS IN JAPAN

Product	$ 1961	$ 1962	$ 1963	$ 1964	$ 1965	$ 1966
Bolts	55,300,000	64,400,000	78,408,000	95,733,000	113,316,000	124,638,000
Nuts	29,400,000	30,300,000	31,622,000	39,383,000	46,902,000	56,277,000
Machine Screws	22,300,000	25,500,000	29,047,000	34,861,000	41,166,000	53,513,000
Wood Screws	2,900,000	3,600,000	3,950,000	6,838,000	6,755,000	5,526,000
TOTAL $	109,900,000	123,800,000	143,027,000	176,815,000	208,139,000	239,954,000

(Table I continued)

Product	$ 1966	1966	
		Exports To U.S.A.	% of Dom. Prod.
Bolts	124,638,000	6,328,433 5,687,723 2,399,595 14,415,751	11.6
Nuts	56,277,000	13,002,000	23.2
Machine Screws	53,513,000	3,055,539	5.7
Wood Screws	5,526,000	1,746,710	31.6
TOTAL $	239,954,000	32,220,000	13.5

Average growth rate of Domestic Fastener Production in Japan for the period 1961-1966 is 16.96% annually; therefore, it is estimated that in 1967, Domestic Production was $280,554,000 and in 1968 it reached a level of $328,154,000.

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TABLE II

EXPORTS OF INDUSTRIAL FASTENERS
BY JAPAN TO WORLD
AND
PERCENTAGES OF DOMESTIC PRODUCTION
(FOB Values)

Product	1961		1962		1963	
	$ Exports	% of Dom. Prod.	$ Exports	% of Dom. Prod.	$ Exports	% of Dom. Prod.
Bolts & Nuts	9,100,000	10.7	13,800,000	14.6	17,506,000	15.9
Machine Screws	2,000,000	6.8	2,100,000	8.2	2,036,000	6.8
Wood Screws	1,300,000	45.0	1,500,000	41.7	1,630,000	40.0
TOTAL $ EXPORTS	12,400,000	11.3	17,400,000	14.1	21,172,000	14.7

(TABLE II continued)

Product	1964		1965		1966	
	$ Exports	% of Dom. Prod.	$ Exports	% of Dom. Prod.	$ Exports	% of Dom. Prod.
Bolts & Nuts	22,349,000	16.5	30,737,000	19.2	36,977,000	20.4
Machine Screws	4,252,000	12.2	9,079,000	22.1	7,945,000	14.8
Wood Screws	2,072,000	45.4	2,461,000	36.4	2,155,000	39.0
TOTAL $ EXPORTS	28,673,000	16.4	42,277,000	20.3	47,077,000	19.6

Assuming 1967 and 1968 Japanese Fastener Exports are at a level equal to 20% of Domestic Production; Exports for 1967 were $56,000,000 and 1968 were $65,000,000.

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TABLE III

SUMMARY
OF
DOMESTIC PRODUCTION AND EXPORT
OF
INDUSTRIAL FASTENERS FROM JAPAN

	1961	1962	1963	1964	1965	1966
Total Japanese $ Domestic Production	109,900,000	123,800,000	143,027,000	176,815,000	208,139,000	239,954,000
Total Japanese Exports to World	12,400,000	17,400,000	21,172,000	28,673,000	42,277,000	47,077,000
% of Exports To Total Production	11.3	14.1	14.7	16.4	20.3	19.6
Total Japanese Exports to U.S.A.	6,316,000	10,914,000	13,263,000	17,220,000	28,075,000	32,220,000
% of Total Japanese Exports to U.S.A.	49.0	62.8	44.8	50.9	66.5	68.3
Total Japanese Exports To U.S.A. as a % of Domestic Japanese Production	5.7	8.8	9.3	9.8	13.5	13.5

United States imports from Japan in 1967 were $36,538,000 or 13% of total Domestic Production.
In 1968, total United States imports from Japan were $37,630,000 or an estimated 12% of Domestic Production.

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Exhibit VII

FAIR INTERNATIONAL TRADE

USA - JAPAN

A consideration of these statistics clearly illustrates the growing unfavorable trends in fastener trade between Japan and the USA:

Total Domestic U.S. Production 1953 (SIC 3452)	$	826,939,000
Total Domestic U.S. Production 1969 (")	$	1,752,469,000
Increase 1969 vs. 1953	$	925,530,000
Increase 1969 vs. 1953	%	112
U.S. Exports to Japan for the year 1953	$	151,000
U.S. Exports to Japan for the year 1969	$	1,705,000
Increase 1969 vs. 1953	$	1,554,000
Increase 1969 vs. 1953	%	1,029
U.S. Imports from Japan for the year 1953	$	478,000
U.S. Imports from Japan for the year 1969	$	52,551,000
Increase 1969 vs. 1953	$	52,074,000
Increase 1969 vs. 1953	%	10,892
Total U.S. Imports from Japan for the years 1953 thru 1969	$	254,456,000
Total U.S. Exports to Japan for the years 1953 thru 1969	$	5,096,000
Net Trade Deficit, U.S. - Japan 1953-1969		249,360,000

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Exhibit VIII

SUMMARY OF UNITED STATES DOMESTIC FASTENER PRODUCTION
AND IMPORTS - EXPORTS
INCLUDING TRADE WITH JAPAN 1953-1969

	U.S.[1] Domestic Production $	Total [2] U.S. Exports $	Total[3] U.S. Imports $	U.S. Imports from Japan $	% of Total Imports from Japan	U.S. Exports[4] to Japan $	% of Total Exports to Japan
1953	826,939,000	15,865,000	4,476,000	478,000	10.6	151,000	0.9
1954	706,392,000	12,513,000	4,673,000	592,000	12.6	18,000	0.1
1955	950,681,000	16,975,000	6,732,000	1,643,000	24.5	33,000	0.2
1956	940,897,000	19,509,000	8,578,000	2,109,000	24.6	54,000	0.3
1957	954,454,000	19,849,000	9,732,000	1,723,000	17.7	62,000	0.3
1958	859,446,000	16,490,000	10,316,000	2,376,000	22.9	57,000	0.3
1959	1,081,218,000	17,254,000	17,794,000	5,083,000	28.6	52,000	0.3
1960	1,005,919,000	17,748,000	17,494,000	5,725,000	32.7	18,000	0.1
1961	969,612,000	18,838,000	15,241,000	5,665,000	37.1	70,000	0.3
1962	1,113,708,000	21,431,000	23,235,000	10,438,000	44.8	100,000	0.4
1963	1,175,719,000	25,594,000	22,707,000	13,263,000	58.4	101,000	0.3
1964	1,288,615,000	29,223,000	34,793,000	17,221,000	49.6	217,000	0.7
1965	1,434,514,000	36,614,000	51,313,000	28,075,000	54.7	285,000	0.8
1966	1,623,074,000	49,307,000	59,769,000	32,220,000	54.0	387,000	0.7
1967	1,511,575,000	55,826,000	70,334,000	36,538,000	52.0	785,000	1.4
1968	1,659,535,000	63,377,000	78,232,000	38,755,000	49.5	1,001,000	1.6
1969	1,752,469,000	68,409,000	97,806,000	52,552,000	53.7	1,705,000	2.4
TOTALS	19,854,767,000	504,322,000	533,225,000	254,456,000		5,096,000	
$ Increase 1953-1969	925,530,000	52,544,000	93,330,000	52,074,000		1,554,000	
% Increase 1953-1969	112	331	2,085	10,892		1,029	

TOTAL TRADE DEFICIT WITH JAPAN 1953-1969 (IMPORTS TO U.S. MINUS EXPORTS TO JAPAN) IS $249,360,000.

1. Includes all product reported in SIC 3452, Census of Manufactures.

2. U.S. export values are taken from U.S. Department of Commerce report FT 410. The valuation is the value at the seaport border point or airport of exportation. Valuation is based on the selling price and includes inland freight, insurance, and other charges to the point of exportation. Product lines included are similar to those included in import totals (refer to 3).

3. U.S. import values are taken from U.S. Department of Commerce reports FT 110 and FT 246. The dollar value shown is defined generally as the market value in the foreign country and therefore, excludes U.S. import duties, freight charges from the foreign country to the U.S., and insurance. Products includes all TSUSA numbers shown in 1968 summary attached.

4. Independent research firms have estimated that nearly 70 percent of the presently imported fasteners in Japan are consumed by the aircraft industry for both domestic manufacturer and repair for the crafts of air lines as well as U.S. Air Force in Japan.

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Statement

of the

Industrial Fasteners Institute

OBJECTIVE

The Industrial Fasteners Institute is in favor of international trade – the free flow of goods in international commerce. The U. S. has made many contributions to attain this objective. However, there do exist foreign nontariff trade barriers as well as tariff restraints which prevent a fair and equitable exchange of goods for U. S. manufacturers.

Our objective, then, is the elimination of foreign nontariff trade barriers and an equitable tariff schedule so that U. S. manufacturers can operate on the same basis as foreign manufacturers.

To maintain U. S. sales, and jobs affecting the hardcore unemployed, it is crucial that foreign nontariff trade barriers be eliminated and tariff schedules be equalized.

The alternative to reciprocal fairness is unhealthy for the industry as well as for employment in the U. S. – manufacturers of fasteners may be increasingly forced to move their operations abroad to take advantage of lower wage costs and to avoid the trade and tariff barriers inimical to U. S. manufacturers.

If it is not possible to eliminate punitive foreign tariff and nontariff trade barriers, we strongly favor exploring the use of countervailing duties on a country-by-country basis and, in addition, as a less desirable but necessary alternative, the creation of export incentives for U. S. manufacturers that are equal to the deterrents imposed by foreign countries.

PURPOSES

The Industrial Fasteners Institute (IFI – an Association of manufacturers in the U.S.) has prepared this Statement in support of the elimination of artificial trade barriers which now substantially prevent export sales of Standard fasteners. The purposes of this Statement are:

. . . (1) to place the fastener industry in sharp focus with reference to its importance to all other manufacturing industries, the government, and military establishments,

. . . (2) to present the manufacturing and import-export facts regarding fasteners,

. . . (3) to document the high tariff duties imposed on United States fastener exports and the significant nontariff trade barriers that face United States fastener exports,

. . . (4) to explain that United States exports are high-value special fasteners that do not enter normal, competitive foreign marketplaces,

. . . (5) to emphasize that the United States market is as encouraging to imports as foreign markets are discouraging to exports,

. . . (6) to state what the consequences will be if the present inequities in trade opportunities continue, and

. . . (7) to suggest that, if United States fastener manufacturers were able to operate under the same rules and conditions in exporting to foreign countries that foreign manufacturers operate under in exporting to the United States, then U. S. exports of fasteners could be substantially increased.

Foreign tariff and nontariff barriers are cumulatively preventing United States manufacturers of industrial fasteners from competing fairly for export sales with foreign manufacturers overseas selling in their own markets, to third countries, and to the United States.

One immediate result is a needless harmful effect on the United States balance of trade. On nontariff barriers alone, the President of the United States has declared it national policy to realize an improvement of $500 million to the trade surplus by international consultation and new domestic legislation. The export market sought to be opened to United States manufactures is not only of great significance to the expansion of the fastener industry, but to the United States balance of payments. The IFI believes that exports could be expanded about 2½ times – an increase of $135 to $140 million.

A second result of foreign trade barriers higher than domestic tariffs is that imports into the United States displace United States sales without a reciprocally fair opportunity to replace those sales in foreign markets. Imports of standard fasteners at the low end of the product line will continue to enter United States commercial markets in quantity and have an impact out of all proportion to their reported dollar value. On the other hand, United States manufacturers cannot enter foreign commercial markets with standard fasteners and are limited to exporting fasteners of special kinds that are not produced in foreign countries.

The volume of imports is increasing rapidly. United States firms, if they are to maintain their relative market share, must be able to sell top-of-the-line fasteners with a higher per-unit cost abroad. These higher-cost, more specialized fasteners are the ones most subject to cumulative tariffs and taxes.

1. MANUFACTURING AND IMPORT-EXPORT FACTS REGARDING FASTENERS

The annual United States production of fasteners[1] (in round numbers) is as follows:

Standard fasteners sold commercially	$1,100,000,000
Special and proprietary fasteners sold commercially	500,000,000
Total sold commercially	$1,600,000,000
Fasteners manufactured by companies who use them in assembly and do not sell them commercially (estimated)	200,000,000
Total commercial production	$1,800,000,000

More than two million fasteners of many sophisticated types are used in the production of one United States Air Force Lockheed C-5A aircraft. Many sophisticated and complex fasteners are used in other jet aircraft, as well as in atomic submarines, helicopters, tanks, naval vessels, weapon systems, and all military hardware. Table I summarizes the 1967 import-export facts regarding ferrous fasteners.

Table I **FASTENERS* IMPORT-EXPORT FACTS—1967 SUMMARY**

(FERROUS NUTS, BOLTS, SCREWS, RIVETS, ETC.)

IMPORTS		EXPORTS		NET DIFFERENCE
TOTAL U.S. $ VALUE	*AVG. U.S. $ VALUE/100 lb*	*TOTAL U.S. $ VALUE*	*AVG. U.S. $ VALUE/100 lb*	*IMPORTS VS EXPORTS (U.S. $)*
OTHERS TO U.S. $ 64,520,000	$ 17.30	*U.S. TO OTHERS* $ 55,000,000	$ 69.40	*U.S. DEFICIT* $ 9,520,000
EEC TO U.S. 12,573,000	18.45	*U.S. TO EEC* 7,276,000	367.45	*U.S. DEFICIT* 5,297,000
JAPAN TO U.S. 35,457,000	16.45	*U.S. TO JAPAN* 785,000	168.65	*U.S. DEFICIT* 34,672,000
CANADA TO U.S. 6,615,000	20.05	*U.S. TO CANADA*** 32,663,000	53.55	*U.S. GAIN* 26,048,000

* SIC Category 3452 represents fastener production in U.S. Tariff Schedule 6 pt. 3 (Items 646.40—646.42 are rivets, cotters, fasteners used with screws, bolts, etc. Items 646.49—646.78 are wood screws, bolts, nuts, studs, screws, washers, etc.)

** Canada represents a special situation which involves essentially free passage of fasteners for the automotive industry. 59% of U.S. fastener exports go to Canada.

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[1] *The products listed bear SIC classification 3452 and include bolts, nuts, screws, studs, threaded rods, rivets, pins, washers, and other headed or threaded mechanical fastening devices. In the Tariff Schedules of the United States, they are covered in Schedule 6, Part 3, by Items 646.40 through 646.42 (rivets, cotters, fasteners used with screws, bolts, etc.) and Items 646.49 through 646.78 (wood screws, bolts, nuts, studs, screws, and washers, etc.).*

It is important, throughout this Statement, to know that the product mix for imports is made of *standard* fasteners that are small in size and unit value. Exports are an entirely different product mix; they are *special* fasteners involving exotic metals and configurations.

U. S. fasteners with high value per hundred weight do *not* enter the foreign commercial marketplaces to compete with foreign fasteners but are special replacement parts for machinery and vehicles originally made in the U. S. or for use in foreign countries that do not manufacture the advanced U. S. special fastener.

Succeeding tables and illustrations in this Statement show (1) the punitive use of tariff and nontariff trade barriers to prevent fair and reasonable competition by U. S. manufacturers of standard and other fasteners in foreign markets and (2) the *incentives* given by foreign governments to increase penetration of low-unit-cost fasteners in the U. S. marketplace. Even if a country has no tariffs or taxes against imports, the requirement to have an import license for fasteners – as in Japan – could and does effectively prevent exports of fasteners to such a country.

In Figure 1, some of the known trade barriers in the major countries to which American manufacturers export are compared with the duties that foreign manufacturers encounter in the United States. *Perhaps the most important conclusion that can be drawn from this comparison is that the size of the barriers alone has a chilling effect on the incentive of U. S. manufacturers to enter the export business, notwithstanding the domestic sales that are being increasingly displaced by imports.*

Figure 1 also illustrates the major impact of a number of policies discussed separately in this Statement. It is shown that: (1) foreign tariffs alone are a serious impediment to exports from the United States; (2) many desirable foreign markets impose taxes and other nontariff trade barriers, which, as applied to United States exports, significantly add to the economic and practical burden upon U. S. fastener exports; and (3) the combined effect of both tariff and nontariff burdens is severe on a U. S. exporter manufacturer.

Figure 1 does *not* show (because the problems cannot be readily quantified) that (1) the U.S. exporter-manufacturer must also contend with a variety of barriers other than tariff duties and internal taxes, and (2) in third-country markets, United States exporters frequently must sell in competition with export subsidies and other tax and financial advantages not accorded to the United States companies.

Removing trade barriers will not permit U. S. manufacturers to compete in foreign markets across the board. However, U. S. manufacturers can extend their sales of more sophisticated, top-of-the-line fasteners or other fasteners that require specialized manufacturing capabilities. The effect of such an extension of sales would be the opportunity to replace sales lost in the United States with other sales abroad. The IFI's position is that, if the nontariff and tariff trade restraints cannot be substantially reduced, a system of export incentives should be adopted so that U. S. fastener manufacturers (among others) can compete fairly in the markets of the world.[2] If trade barriers are not reduced or if countervailing export incentives, one alternative, are not adopted, the U. S. Fastener industry must move increasingly abroad. Only by such action will the industry increase sales to foreign markets and compete for sales to the United States markets – but in so doing both technology and jobs will also move abroad.

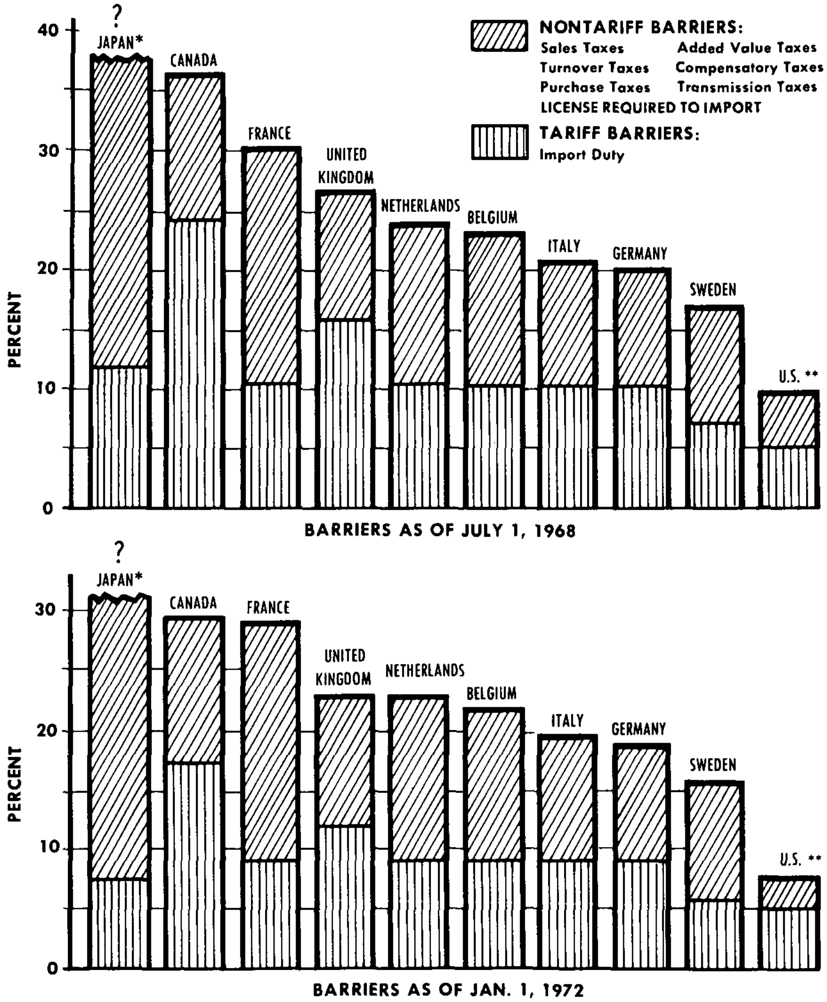
The remaining sections of this Statement amplify the Institute's position and document the unequal foreign trade burdens its members encounter.

[2] *The Australian Government has recently decided to follow this course. A rebate of payroll taxes and of income taxes to exporters will be made for money spent promoting export markets.*

Figure 1

TRADE BARRIERS AGAINST FERROUS FASTENERS

AVERAGE PERCENTAGES ASSESSED AGAINST VALUE



*Japan has maximum nontariff barriers and maximum export incentives. No imports are permitted without special license.

** See Table III footnote.

2. HIGH TARIFF DUTIES IMPOSED ON UNITED STATES FASTENER EXPORTS

United States manufacturers of industrial fasteners desire to export to the European Economic Community (EEC) countries, Great Britain, and Japan. Although these countries are not the only ones to which export sales must be developed, they are the principal markets to which this Statement can usefully pertain.

Tariff duties in these markets impose a substantial burden on the United States exporter.[3] Table II and Figure 2 illustrate the burden in *ad valorem* equivalences that the exporter must bear.

Table II summarizes duties and taxes, by type of iron and steel fastener, imported into the markets under study. The EEC tariff duties range from 8 through 12 percent now and will diminish only 1 to 2 percentage points, from 7 through 11 percent, when the staged reductions under the Kennedy Round are over. United Kingdom duties now average 14 to 17 percent and will be reduced to 12 percent by January 1, 1972. Canadian duties range from 23.5 to 27.5 percent, exluding the recently enacted "free trade" for automotive production.

Figure 2 compares in graph form the average tariffs assessed against the value of ferrous fasteners in the markets under study with the effect of low United States tariffs. Although the Kennedy Round, as President Johnson said, was a "great success," the present situation cannot be allowed to persist – a situation in which the tariffs of the other principal industrial-fastener consuming and producing nations are from 1½ to more than 5 times higher than those of the United States.

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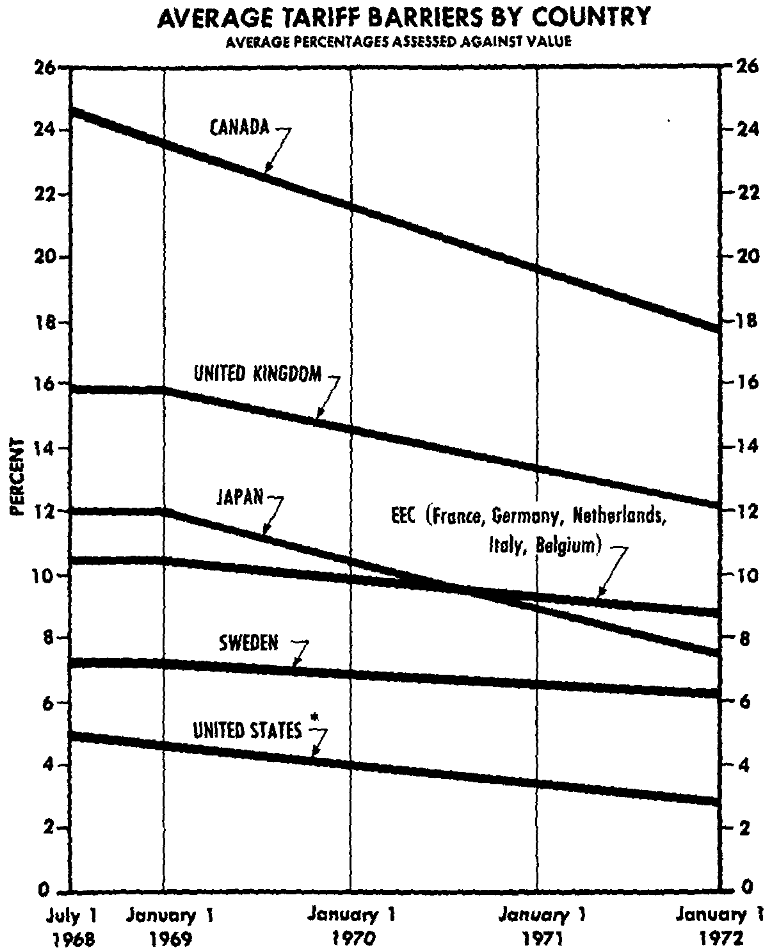
[3] *Refer to the IFI's "Memorandum in Support of Elimination of Tariff and Trade Barriers Abroad Affecting Industrial Fasteners," in which Attachments 2 through 7 state in some detail the pre-Kennedy Round tariff schedules for fasteners in the Federal Republic of Germany, France, Italy, United Kingdom, Canada, and Japan.*

Figure 2



* See Table III footnote.

Table II – Summary of Duties and Taxes Applied to Ferrous Fasteners*

Country	Tax Applied	Initial/Final Tariff Adj. Dates: Gatt	Rivets 1/4" & Under	Rivets Over** 1/4"	Cotter Pins 1/4" & Under	Cotter Pins Over** 1/4"
FRANCE	Tariff Duty 73.32	July 1, 1968	8.2	11.8	8.2	11.8
		Jan. 1, 1972	7.0	10.0	7.0	10.0
	Sales Tax		20.0	20.0	20.0	20.0
	Total Tax %	July 1, 1968	28.2	31.8	28.2	31.8
		Jan. 1, 1972	27.0	30.0	27.0	30.0
GERMANY	Tariff Duty 73.32	July 1, 1968	8.2	11.8	8.2	11.8
		Jan. 1, 1972	7.0	10.0	7.0	10.0
	Added Value		10.0	10.0	10.0	10.0
	Total Tax %	July 1, 1968	18.2	21.8	18.2	21.8
		Jan. 1, 1972	17.0	20.0	17.0	20.0
ITALY	Tariff Duty 73.32	July 1, 1968	8.2	11.8	8.2	11.8
		Jan. 1, 1972	7.0	10.0	7.0	10.0
	Sales Tax		4.0	4.0	4.0	4.0
	Compensatory		6.6	6.6	6.6	6.6
	Total Tax %	July 1, 1968	18.8	22.4	18.8	22.4
		Jan. 1, 1972	17.6	20.6	17.6	20.6
BELGIUM	Tariff Duty 73.32	July 1, 1968	8.2	11.8	8.2	11.8
		Jan. 1, 1972	7.0	10.0	7.0	10.0
	Transmission Tax		13.0	13.0	13.0	13.0
	Total Tax %	July 1, 1968	21.2	24.8	21.2	24.8
		Jan. 1, 1972	20.0	23.0	20.0	23.0
NETHERLANDS	Tariff Duty 73.32	July 1, 1968	8.2	11.8	8.2	11.8
		Jan. 1, 1972	7.0	10.0	7.0	10.0
	Turnover Tax		16.1	16.1	16.1	16.1
	Total Tax %	July 1, 1968	24.3	27.9	24.3	27.9
		Jan. 1, 1972	23.1	26.1	23.1	26.1
SWEDEN	Tariff Duty 73.32	July 1, 1968	7.2	7.2	7.2	7.2
		Jan. 1, 1972	6.0	6.0	6.0	6.0
	Turnover Tax		10.0	10.0	10.0	10.0
	Total Tax %	July 1, 1968	17.2	17.2	17.2	17.2
		Jan. 1, 1972	16.0	16.0	16.0	16.0
JAPAN	Tariff Duty 73.32	July 1, 1968	12.0	12.0	12.0	12.0
		Jan. 1, 1972	7.5	7.5	7.5	7.5
	Total Tax %	No Additional Taxes Exist: Total Tax % as Given in Previous Two Rows				
CANADA	Tariff Duty Sched. A 43000-1	Jan. 1, 1968	23.5	23.5	23.5	23.5
		Jan. 1, 1972	17.5	17.5	17.5	17.5
	Sales Tax - No Further Mfg.		12.0	12.0	12.0	12.0
	Total Tax %	Jan. 1, 1968	35.5	35.5	35.5	35.5
		Jan. 1, 1972	29.5	29.5	29.5	29.5
UNITED STATES (See Note 1)	Tariff Duty Sched. 6 646	Jan. 1, 1968	3.1	3.1	17.1	17.1
		Jan. 1, 1972	1.4	1.4	9.5	9.5
	State Sales Tax-Max. Possible Val.		5.0	5.0	5.0	5.0
	Total Tax %	Jan. 1, 1968	8.1	8.1	22.1	22.1
		Jan. 1, 1972	6.4	6.4	14.5	14.5
UNITED KINGDOM (See Notes 2 and 3)	Tariff Duty 73.32	July 1, 1968	13.8	13.8	16.8	16.8
		Jan. 1, 1972	12.0	12.0	12.0	12.0
	Purchase Tax		11.0	11.0	11.0	11.0
	Total Tax %	July 1, 1968	24.8	24.8	27.8	27.8
		Jan. 1, 1972	23.0	23.0	23.0	23.0

** All data relating to duties, sales taxes, purchase taxes, transmission taxes, turnover taxes, added value taxes, and compensatory taxes supplied by the U. S. Department of Commerce, Bureau of International Commerce.*

*** All sizes refer to diameters where applicable.*

Wood Screws		Bolts		Nuts		Lock Washers		Machine Screws	
1/4" & Under	Over** 1/4"	1/4" & Under	Over** 1/4"	1/4" & Under	Over** 1/4"	1/4" & Under	Over** 1/4"	1/4" & Under	Over** 1/4"
8.6	12.8	8.6	12.8	8.6	12.8	8.2	11.8	8.6	12.8
8.0	11.0	8.0	11.0	8.0	11.0	7.0	10.0	8.0	11.0
20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
28.6	32.8	28.6	32.8	28.6	32.8	28.2	31.8	28.6	32.8
28.0	31.0	28.0	31.0	28.0	31.0	27.0	30.0	28.0	31.0
8.6	12.8	8.6	12.8	8.6	12.8	8.2	11.8	8.6	12.8
8.0	11.0	8.0	11.0	8.0	11.0	7.0	10.0	8.0	11.0
10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
18.6	22.8	18.6	22.8	18.6	22.8	18.2	21.8	18.6	22.8
18.0	21.0	18.0	21.0	18.0	21.0	17.0	20.0	18.0	21.0
8.6	12.8	8.6	12.8	8.6	12.8	8.2	11.8	8.6	12.8
8.0	11.0	8.0	11.0	8.0	11.0	7.0	10.0	8.0	11.0
4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
19.2	23.4	19.2	23.4	19.2	23.4	18.8	22.4	19.2	23.4
18.6	21.6	18.6	21.6	18.6	21.6	17.6	20.6	18.6	21.6
8.6	12.8	8.6	12.8	8.6	12.8	8.2	11.8	8.6	12.8
8.0	11.0	8.0	11.0	8.0	11.0	7.0	10.0	8.0	11.0
13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
21.6	25.8	21.6	25.8	21.6	25.8	21.2	24.8	21.6	25.8
21.0	24.0	21.0	24.0	21.0	24.0	20.0	23.0	21.0	24.0
8.6	12.8	8.6	12.8	8.6	12.8	8.2	11.8	8.6	12.8
8.0	11.0	8.0	11.0	8.0	11.0	7.0	10.0	8.0	11.0
12.5	11.1	12.5	12.5	12.5	12.5	16.1	16.1	12.5	12.5
21.1	23.9	21.1	25.3	21.1	25.3	24.3	27.9	21.1	25.3
20.5	22.1	20.5	23.5	20.5	23.5	23.1	26.1	20.5	23.5
7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
27.5	27.5	23.5	23.5	23.5	23.5	23.5	23.5	27.5	27.5
17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
39.5	39.5	35.5	35.5	35.5	35.5	35.5	35.5	39.5	39.5
29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
12.5	12.5	3.52	3.52	1.26	1.26	18.0	18.0	20.2	3.85
12.5	12.5	1.6	1.6	0.48	0.48	10.0	10.0	11.0	3.85
5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
17.5	17.5	8.52	8.52	6.26	6.26	23.0	23.0	25.2	8.85
17.5	17.5	6.6	6.6	5.48	5.48	15.0	15.0	16.0	8.85
21.0	21.0	16.8/ 13.8	16.8/ 13.8	16.8/ 13.8	16.8/ 13.8	13.8	13.8	16.8/ 13.8	16.8/ 13.8
12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
32.0	32.0	27.8/ 24.8	27.8/ 24.8	27.8/ 24.8	27.8/ 24.8	24.8	24.8	27.8/ 24.8	27.8/ 24.8
23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0

NOTES:

1. Percentages for rivets, bolts, nuts, and machine screws are ad valorem equivalents based upon dollar and weight in pounds of respective product imports to U. S. for month of April, 1967. Data supplied by the Trade Relations Council of New York City.

2. Percentages for wood screws are ad valorem equivalents based upon dollars and gross of wood screws imported into the U. S. in April 1967. Data supplied by the Trade Relations Council of New York City.

3. For bolts, nuts, and machine screws, the higher percentage is charged for all products whose value does not exceed 44 cents per hundred weight or 0.44 cents/pound. The lower percentage is applied to products exceeding a value of 0.44 cents/pound.

3. SIGNIFICANT NONTARIFF TRADE BARRIERS

The Industrial Fasteners Institute endorses the President's concern about "the problem of nontariff barriers that pose a continued threat to the growth of world trade and to our competitive position."[4] The Institute finds it exceedingly difficult to document the variety and range of nontariff trade barriers. An individual exporter has even greater difficulty in predicting the exact effect of trade barriers on his attempts to export to major markets in Europe, Japan, and Canada.

In the EEC, the internal tax system imposes high turnover taxes at the point of sale to the customer. As applied to a United States export, therefore, the base for the turnover tax includes such cost factors as transportation to the entry port of the EEC country, insurance, high customs duty, markup of the agent handling the shipment, and freight to destination. Turnover or similar taxes add at least 15 percent to the final price to the customer in the European markets. But the vital point is that the high turnover tax is applied to a tax base already inflated by a high tariff.

The combination of the tariff duty plus the turnover tax applied to it, as well as the other elements of the tax base, adds about 25 percent to the other transportation handling charges. Therefore, the European competitor of the American exporter is at a substantial advantage, because the turnover tax he pays is not applied to a high tariff element. The application of the tax to the tariff, in addition to the other costs and charges for transporting goods, imposes an additional tax comparable to the tariff and, in effect, doubles this particular form of burden on exports.

Please note that statistics referring to imports into the United States are valued on a lower and different system than that valued on exports from the United States. In other words, the effect in the United States of $1 million imports is much greater than the effect in the foreign country of $1 million exports from the United States.

Figure 3 shows nontariff barriers in percent assessed against the value of ferrous fastener imports in the countries under study. Where (as in the United Kingdom) tariff duties are higher than those in the EEC, the cost imposed by the purchase tax over and above its imposition on domestic manufacture may not be as high as the tariff. Taken together, however, the impact on exports in the United Kingdom appears greater than the impact in the EEC. The very high Canadian duty on nonautomotive fasteners, plus the high sales tax, means that the burden in Canada is even greater. No percent or amount can be applied to Japan, which has a complete and positive control of imports by not permitting them without a license. Japan also uses maximum incentives to increase exports.

In third-country markets within the EEC, export incentives or subsidies make competition an even more unequal contest. Not only does the EEC product have less distance to travel and need not bear the external tariff of the EEC, but its transportation and sale are further facilitated by special tax reliefs and by special export insurance and services.

In all probability, the most substantial program of export benefits exists in Japan. This program accounts for the fact that the bulk of imports into the United States market are Japanese (53.6 percent in 1967). Other foreign markets have a similar variety of diverse but exceedingly effective laws and practices that discourage the importing of United States products, plus incentives to increase their own exports. These laws and practices (discussed after Section 6) are currently the subject of study by the United States Government, and the Institute supports and encourages such study.

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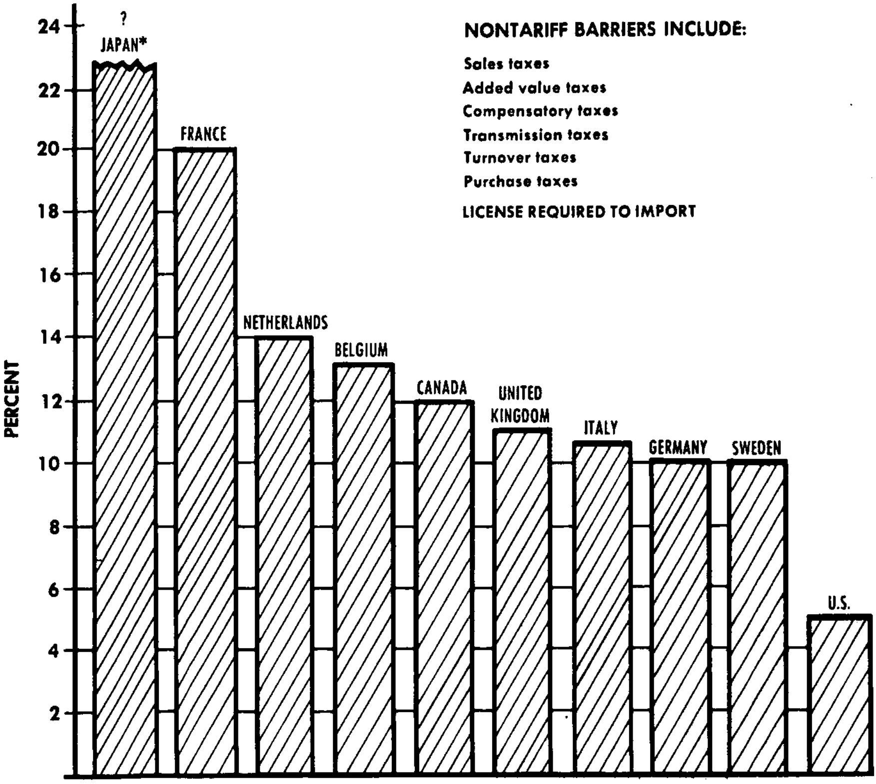
[4] *Message of January 1, 1968, to the Congress on the balance of payments.*

Figure 3

AVERAGE NONTARIFF BARRIERS BY COUNTRY

AVERAGE PERCENTAGES ASSESSED AGAINST VALUE



BARRIERS AS OF JULY 1, 1968

*Japan has maximum nontariff barriers and maximum export incentives. No imports are permitted without special license.

4. UNITED STATES EXPORTS ARE HIGH-VALUE-PER-HUNDRED-WEIGHT SPECIAL FASTENERS THAT DO NOT ENTER THE NORMAL COMPETITIVE FOREIGN MARKETPLACE

Several tables and graphs presented in this Statement demonstrate the burden carried by United States exports. Table III dramatizes the cumulative burden on United States exports by summarizing the total percentage of duty plus other taxes assessed against imported iron and steel fasteners in the markets under study.

Figure 1 (see Section 1) contrasts the high assessment in the markets under study with the low assessments in the United States.

The main point illustrated in Table III and Figure 1 is that the range of such combined charges in the EEC is now from 19 to 30 percent and, after the deductions in the Kennedy Round have taken full effect, will continue to be in the range of 17 to 28 percent – a decrease of only 2 percentage points.

Parallel charts have been developed to show the inequitable burden that is borne by United States exports as against the tariff burden borne by United States imports. Figure 4 shows, in the markets under study, the high total percentage assessed on bolts of all sizes – and contrasts the quite low United States assessment. Figures 5 and 6 show comparable data for ferrous nuts and rivets, respectively.

With these tariff and tax figures in mind, one can examine the actual fastener exports of the United States in order to demonstrate the inability of exporters to place United States manufactured fasteners in the European markets.

In 1967, about $55 million in exports were reported – about 3.6 percent of all domestic fasteners sold commercially in terms of dollars. But these exports are even less significant than the 3.6 percent figure suggests:

1. Only about 16.8 percent of the United States exports go to the markets under study, such as the United Kingdom, France, Germany, and Italy. (Exports to South America account for 11.6 percent, and 13.1 percent go to about 40 other countries. Japan imports an insignificant 1.4 percent [$785,000] of U. S. fastener exports. Yet, Japan is one of the most highly industrialized countries in the world.)
2. In 1967, 58.5 percent of these U. S. exports went to Canada, which is a highly specialized market for a number of reasons, including the U. S.-Canadian Automotive Treaty.
3. In non-Canadian foreign markets, United States exports do not enter the normal competitive markets. The exports are limited to (a) replacement parts for United States equipment, (b) proprietary items, and (c) specialty items of limited applicability, such as those of very-high-alloy steel.

A comparison of the cost per hundred weight of the United States products exported with the overall average price per hundred weight for fasteners manufactured in the United States corroborates the reported finding that manufacturer-exporters are selling only specialty items abroad. The overall average price per hundred weight for fasteners manufactured in the United States is about $38.00. United States exports at $69.40 per hundred weight for 1967 averaged nearly twice the value per hundred weight of domestic manufactures but about *four times* the value per hundred weight of imports.

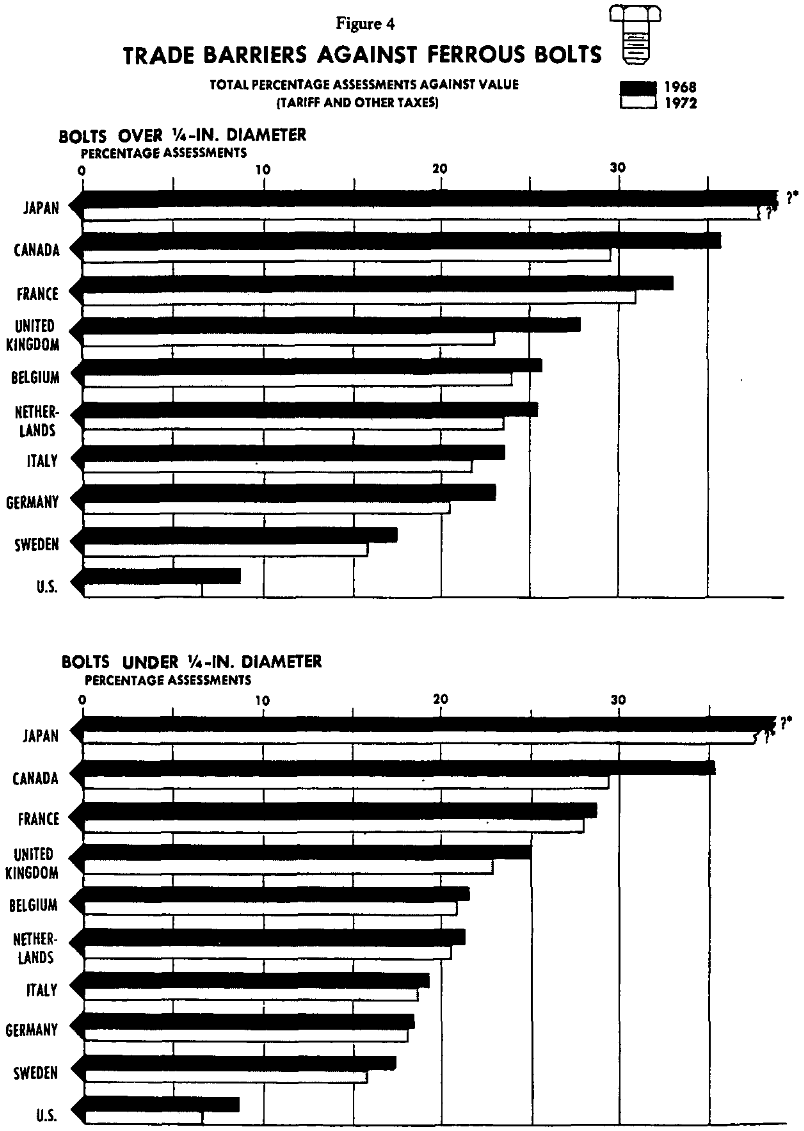
Note that the product mix is especially different. And this comparison is somewhat

TABLE III.
SUMMARY OF TOTAL PERCENTAGES OF DUTIES AND TAXES ASSESSED AGAINST FERROUS FASTENERS BY COUNTRY

Country	Total Tax % On	Rivets		Cotter Pins		Wood Screws		Bolts		Nuts		Lock Washers		Machine Screws		
		1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	1/4" & under	Over 1/4"	Avg. %*
France	July 1, 1968	28.2	31.8	28.2	31.8	28.6	32.8	28.6	32.8	28.6	32.8	28.2	31.8	28.6	32.8	30.4
	Jan. 1, 1972	27.0	30.0	27.0	30.0	28.0	31.0	28.0	31.0	28.0	31.0	27.0	30.0	28.0	31.0	29.07
United Kingdom	July 1, 1968	24.8	24.8	27.8	27.8	32.0	32.0	27.8/ 24.8	27.8/ 24.8	27.8/ 24.8	27.8/ 24.8	24.8	24.8	27.8/ 24.8	27.8/ 24.8	26.90
	Jan. 1, 1972	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Netherlands	July 1, 1968	24.3	27.9	24.3	27.9	21.1	23.9	21.1	25.3	21.1	25.3	24.3	27.9	21.1	25.3	24.3
	Jan. 1, 1972	23.1	26.1	23.1	26.1	20.5	22.1	20.5	23.5	20.5	23.5	23.1	26.1	20.5	23.5	23.0
Canada	July 1, 1968	35.5	35.5	35.5	35.5	39.5	39.5	35.5	35.5	35.5	35.5	35.5	35.5	39.5	39.5	36.6
	Jan. 1, 1972	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
Belgium	July 1, 1968	21.2	24.8	21.2	24.8	21.6	25.8	21.6	25.8	21.6	25.8	21.2	24.8	21.6	25.8	23.4
	Jan. 1, 1972	20.0	23.0	20.0	23.0	21.0	24.0	21.0	24.0	21.0	24.0	20.0	23.0	21.0	24.0	22.1
Italy	July 1, 1968	18.8	22.4	18.8	22.4	19.2	23.4	19.2	23.4	19.2	23.4	18.8	22.4	19.2	23.4	21.0
	Jan. 1, 1972	17.6	20.6	17.6	20.6	18.6	21.6	18.6	21.6	18.6	21.6	17.6	20.6	18.6	21.6	19.7
Germany	July 1, 1968	18.2	21.8	18.2	21.8	18.6	22.8	18.6	22.8	18.6	22.8	18.2	21.8	18.6	22.8	20.4
	Jan. 1, 1972	17.0	20.0	17.0	20.0	18.0	21.0	18.0	21.0	18.0	21.0	17.0	20.0	18.0	21.0	19.1
Sweden	July 1, 1968	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
	Jan. 1, 1972	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Japan	July 1, 1968	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
	Jan. 1, 1972	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
United States	July 1, 1968	8.1	8.1	22.1	22.1	17.5	17.5	8.5	8.5	6.3	6.3	23.0	23.0	25.2	8.9	9.3
	Jan. 1, 1972	6.4	6.4	14.5	14.5	17.5	17.5	6.6	6.6	5.5	5.5	15.0	15.0	16.0	8.9	7.7

** Values shown for all countries except the U. S. are simple numerical averages of duties and taxes by product size alone. Average values shown for the U. S. are weighted to more accurately reflect the wide spread in U. S. assessment percentages. This spread is four times greater for the U. S. than for other countries (see Table II).*

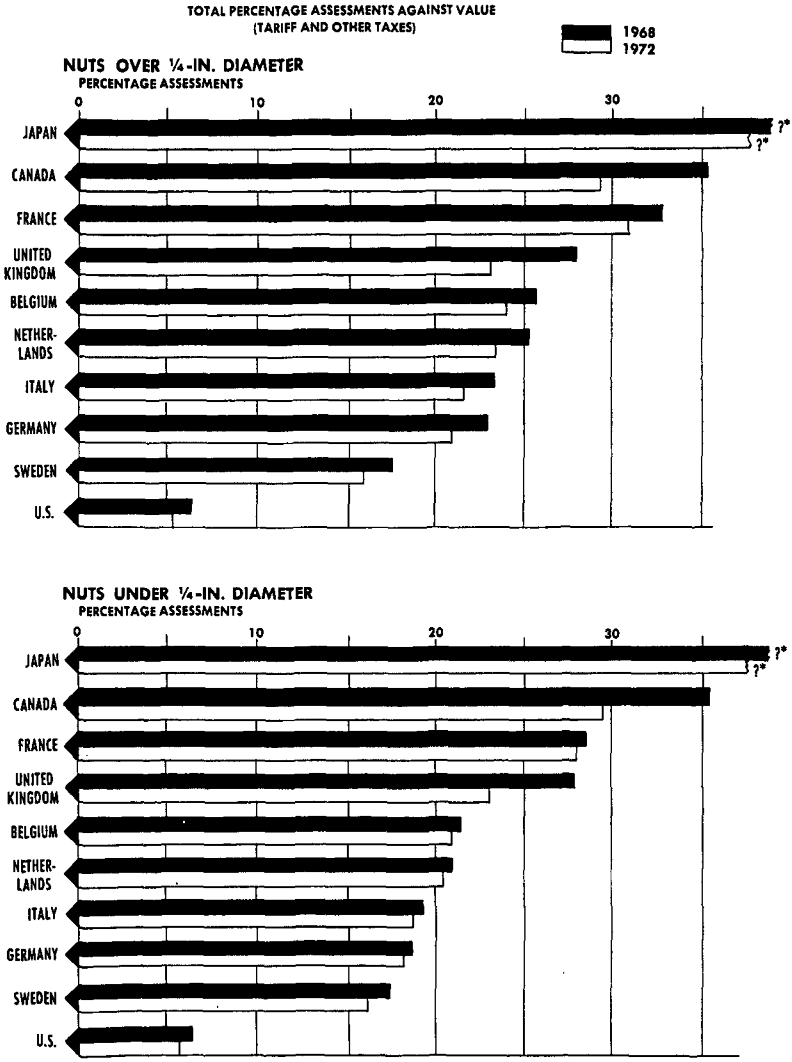
Figure 4



*Japan has maximum nontariff barriers and maximum export incentives. No imports are permitted without special license.

Figure 5

TRADE BARRIERS AGAINST FERROUS NUTS

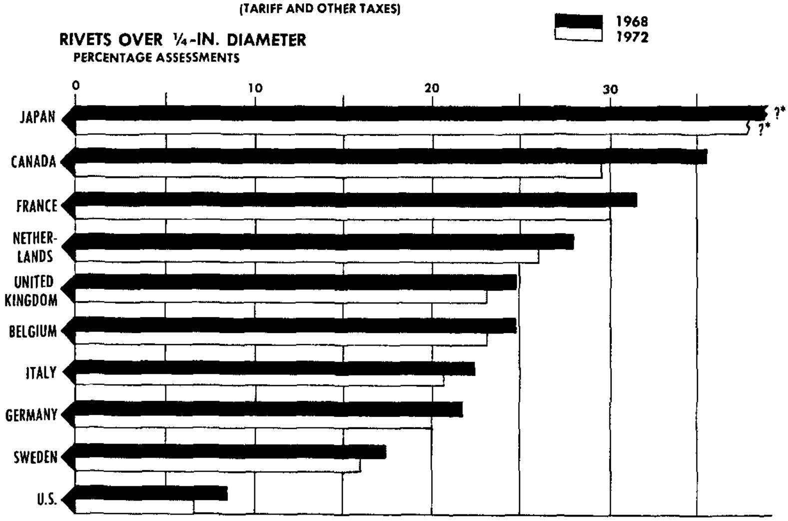


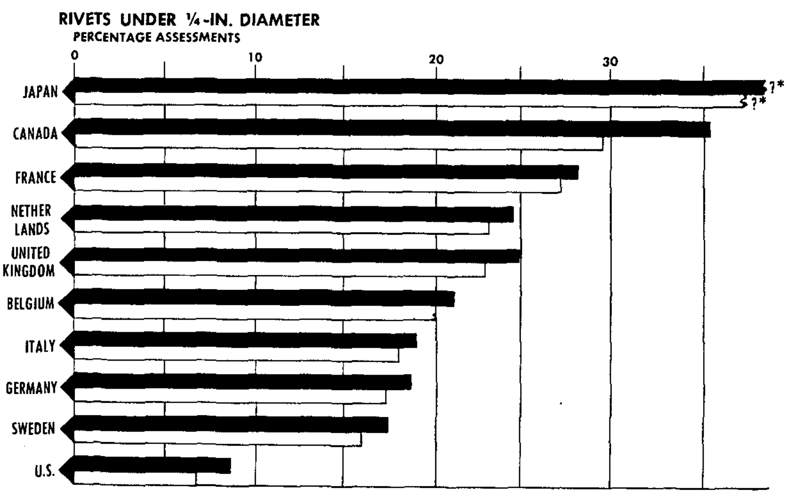
*Japan has maximum nontariff barriers and maximum export incentives. No imports are permitted without special license.

Figure 6

TRADE BARRIERS AGAINST FERROUS RIVETS

TOTAL PERCENTAGE ASSESSMENTS AGAINST VALUE
(TARIFF AND OTHER TAXES)





*Japan has maximum nontariff barriers and maximum export incentives. No imports are permitted without special license.

distorted by Canadian experience: if Canadian exports are removed from the comparison, the average value per hundred weight for United States exports is significantly increased. For example, in 1967 the average value per hundred weight for the United States exports to the EEC was $367.45, or *20 times* the value per hundred weight of imports. As a consequence, trade in fasteners with such desirable markets as the EEC is out of balance.

Table IV reveals the favored position of imports and the high costs at which United States manufactures must enter the European market.

Table IV
U. S./EEC Fasteners Balance of Trade
1962–1967

EEC NATION	EXPORTS TO* U. S.	IMPORTS FROM* U. S.
Belgium	$ 5,822,000	$ 4,770,000
France	9,077,000	5,025,000
Italy	21,960,000	3,543,000
Netherlands	7,375,000	2,247,000
West Germany	10,553,000	7,831,000
Total	$54,787,000	$23,416,000

If allowance is made for proprietary items, special fasteners, and replacement parts, which are indicated by the disparity in the average value per hundred weight, Table IV indicates that the EEC countries export to the United States possibly *ten times* the volume of standard fasteners the United States exports in competition to the EEC markets.

A comparable situation exists in the United Kingdom, to which United States exports in the same five-year period amounted to $10,869,000, while United Kingdom imports into the United States amounted to $15,200,000. The $226.20 average value per hundred weight of United States exports to the United Kingdom clearly shows that our exports did not enter the stream of commerce in the United Kingdom but were special parts and replacement parts not manufactured in Europe or the United Kingdom.[5]

The Institute concludes that there is a serious deficit in export trade. Overall, for the five years discussed above, total exports amounted to $174 million, and total imports amounted to $245 million. Since trade with Canada is in a special category, largely influenced by the automotive industry, we believe that the truer balance is in comparing the balance with other markets. With Canada eliminated, total exports for these five years were $49 million, and total imports were $223 million – a ratio in terms of dollars of about 4.6 to 1.

We believe this deficit can be overcome in substantial part through increased exports at the "top of the line" of United States products. The removal of the barriers discussed in this Statement, we believe, would permit true competition in foreign markets on a price-quality basis.

It is, of course, impossible to prove that the added cost deriving from a high tax on a tax base that includes, among other uncompetitive charges, a high tariff, is the reason why American manufacturer-exporters cannot penetrate major desirable markets. However, it is the judgment of the members of the Institute that removal of the barriers would permit an appreciable increase in United States exports.[6]

**Average value of exports from the U. S. to these EEC nations is $192.55 per hundred weight while the average value of exports from these nations to the U. S. is $15.95 per hundred weight. However, since foreign exports are based on foreign value, rather than a c.i.f. value, their value should be increased by 10 to 15 percent to be stated more realistically.*

[5] *Fasteners exported to Canada in 1967 under the special circumstances relevant to the market had an average value per hundred weight of $53.55.*

[6] *This judgment does not apply to Japan. Japanese imports, because of their volume, low price, and national policy of export subsidy, pose issues of particular seriousness to the U. S. fastener manufacturer. In terms of dollars, Japanese imports into the U. S. currently represent 53.6% of total U. S. imports. While 75% of all Japanese exports go to the U. S. market, only 1% of U. S. exports go to Japan. Recent reports indicate that Japan intends to increase substantially its exports to the United States.*

5. UNITED STATES MARKET IS AS ENCOURAGING TO FOREIGN IMPORTS AS FOREIGN MARKETS ARE DISCOURAGING TO U. S. EXPORTS

High tariff and nontariff barriers are only one-half the total picture facing a United States manufacturer-exporter. One of the strong incentives for him to develop exports is the impact of fastener imports upon the United States market. The experience of the members of the Institute has been that this impact is appreciable, both in terms of the market gained by the imports, the effect on the prices of American fasteners, and the displacement of American sales with attendant loss of jobs in the United States.

With one exception, the United States imposes only minimal or nominal tariff duties. There are no nontariff barriers that discriminate against imports competing with domestic manufactures. The product entering the United States enters directly the market with which it competes and displaces United States sales. Although previous statements of the Institute have documented each of these points, a brief recapitulation may be helpful.

The relatively low United States tariff duties include virtually no duty on the common fastener items and, in general terms, only a 20 percent duty, which will be halved by the Kennedy Round, on other fasteners. This tariff system no longer reflects the Congressional intent behind the original treatment of fasteners. In the 1922 and 1930 Tariff Acts, Congress accorded bolts and nuts a specific duty (*i.e.*, Paragraph 330 of the 1930 Tariff Act), while other fastener products, including screws, were given a comparable duty stated in terms of an *ad valorem* rate (*i.e.*, Paragraph 397 of the 1930 Tariff Act). Congress' intention, we believe, was to protect United States manufacturers of bolts and nuts by a specific duty that would *increase* in protection during a depression (a consideration that proved initially successful in the 1930's).

However, since World War II, an infiltration of unanticipated proportions has had the effect of *lowering* the initial duty approximately 25 to 30 percent in *ad valorem* equivalency to one that has no present commercial effect. Screws and other fastener items, not specifically provided for, have maintained only a part of their relative position, because the duty with respect to them was imposed on an *ad valorem* basis under former Paragraph 397 of the 1930 Tariff Act.[7]

Using import figures for the month of April 1967, we have computed the weighted average tariff of fastener items to be approximately 4.6 percent, as based on current TSUS rates. As of January 1, 1972, the weighted average for the importations (applied for the same imports) will be reduced to 2.8 percent. United States duty in terms of the weighted average is *less than half of the duties in the EEC countries, less than a third of the duties in the United Kingdom, and less than a fourth of the duties in Canada.*

To repeat, the U. S. has virtually no duty on the common fastener items, and the duty after negotiated concessions on screw and

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[7] *However, the actual burden imposed on importers is effectively less than this statement suggests because of classification problems. The Institute is quite certain that many imports subject to the screw rate are invoiced and dutied at the lower bolt rate. The disparate rates are an incentive to circumvent the screw duty by misclassification and to pass fasteners into the United States without any real tariff burden. This conclusion is verified by import statistics which show that, in 1965, bolts and nuts of iron and steel (which carry an average duty of 0.4 cents per pound) in and of themselves accounted for 64.5 percent of imports by dollars, and 83.4 percent of imports by hundred weight.*

other nonspecified Paragraph 397 items will be reduced from 20 to 10 percent under the Kennedy Round agreements.

If United States tariffs decline further, the United States will have no bargaining position with which to reduce foreign trade barriers through negotiation. The Institute thus strongly opposes any further disintegration in the United States tariff duties unless and until a fair balance in duties can be obtained. The several items carrying the screw level duties represent virtually the only bargaining leverage available to the United States, and it should be retained to negotiate reciprocably fair conditions.

The impact of imports on the United States market is more significant than their market-share percentage would indicate. In 1967, fasteners manufactured in foreign countries and imported into the United States accounted for approximately 4 percent of the domestic fasteners sold commercially (65 million of 1.6 billion).

There are two important reasons why the impact of foreign imports is more significant than their percentage share of the U. S. market indicates. First, these imports are low-value-per-hundred-weight standard products and directly displace sales of United States manufactured fasteners (and the jobs those sales represent). The imports also have a disproportionate depressing result on the entire commercial market. The average value of imports in 1967 was $17.30 per hundred weight. This figure is to be compared with the average value of United States products of $38.00 per hundred weight. Thus, all the imports carry an average value of 45 percent of the United States manufacture.

Second, the imports are exceedingly responsive to opportunities in the United States market. The decade 1952 to 1962 witnessed an eightfold increase in bulk items under Paragraphs 330 and 332 of the 1930 Tariff Act (bolts, nuts, rivets, and other common fastener items on which a specific rate of duty has been imposed and on which the ad valorem equivalency became commercially insignificant). Because of the change in statistical reporting under the 1962 Tariff Act, there is some difficulty in continuity of import statistics. Nonetheless, the accelerating impact of fasteners on the United States market is clearly evident. There has been at least 1350-percent increase in the dollar value of imports during the last 14 years, as Table V reveals.

Table V

INCREASE OF U. S. FASTENER IMPORTS 1953–1967

Year	Imports into U. S. ($)	Increase from 1953 (%)
1953	$ 4,476,000	...
1954	4,673,000	4.4
1956	8,578,000	91.6
1958	10,316,000	130.5
1960	17,494,000	290.8
1962	23,235,000	419.1
1964	34,492,000	670.6
1966	58,411,000	1205.0
1967	64,520,000	1350.0

TABLE V INDICATES THAT IMPORTS DOUBLE IN VALUE EVERY OTHER YEAR –A DANGEROUS RATE OF INCREASE!

In summary, the low average value of imports and their increasing volume does not permit an opportunity for price competition, and there is no way for the domestic manufacturer to recoup lost sales except by obtaining the opportunity to compete in foreign markets. The Institute's members are willing to match their competitive know-how with foreign competition in America or abroad, but they must also be given a fair opportunity to sell in the foreign markets as well. In short, a reciprocal opportunity to participate in the world-wide market is mandatory; such an opportunity has been utterly prevented by existing foreign trade barriers.

6. CONSEQUENCES OF PRESENT INEQUALITY IN TRADE OPPORTUNITIES

The result of continued trade barriers is clear. United States manufacturers must shift their manufacturing operations to foreign markets. In so doing, they would by one move avoid the trade barriers and have the benefits of the lower cost of manufacture. Under present competitive conditions, such a shift in the locale of manufacture would not only permit competition in foreign markets but would also permit a much greater volume of imports into the United States from United States-backed foreign manufacturers.

The fastener industry in the United States has maintained technical leadership in the science of producing fastener products for aerospace vehicles and other sophisticated manufactures. As an example, United States manufacturers will supply the most complex fastener items for the assembly of the Concorde supersonic aircraft – one of the applications for which there is no adequate substitute for United States technology. Any move of technical know-how and capital to foreign soil can only erode the technical capacity of the United States fastener industry. Such a move would severely diminish in the United States the capability of an industry that lies at the heart of virtually all assembly operations for aerospace, military, and consumer products.

The above is the statement of the Government and International Affairs Committee of the Industrial Fasteners Institute.

SUPPORTING DATA–EXPORT INCENTIVES AND SUBSIDIES IN JAPAN, FRANCE, ITALY, BELGIUM, NETHERLANDS, AND GERMANY

JAPAN

In this study, Japan is the only country that does not have any additional tax over and above the established duty rate. There are several reasons for the absence of this tax. To export fasteners from a given country to Japan, it is necessary for the importer in Japan to obtain an import license from the Japanese government. Several attempts were made to determine what restrictions and cost might be placed upon an importer trying to obtain an import license. No satisfactory answers were obtained. It has been currently established by a Department of State report that the Japanese government maintains elaborate export promotion programs.

I. Favorable Tax Treatment

A. Reserve for Foreign Market Development

Japanese exporters are permitted to account up to one percent of their profits from exports as a reserve for foreign market development, which is considered as an expense for tax purposes, whether it is spent or not. If the exporter is also the manufacturer of the exported product, he may place up to 1.5 percent of his income from export contracts into this reserve under the same condition. These reserves must be written up with equal credits of income in the succeeding five years after their establishment.

B. **Small and Medium Enterprise Reserves for Foreign Market Development**
A small or medium enterprise, which is a member of a commercial or industrial association that has been authorized by the Ministry of International Trade and Industry to accumulate a joint reserve for foreign market development, may count as a tax-deductible expense up to 1.5 percent of its income from foreign trade, if a like amount is deposited in its association's foreign market development reserve. The association may count the entire amount of this fund as a tax-deductible expense if it is actually used to develop foreign markets.

C. **Special Depreciation Allowances**
A firm designated as an enterprise contributing to national export promotion is issued a special depreciation rate for its plant and equipment. This rate is 80 percent of the normal rate multiplied by the ratio of export sales to total sales (maximum multiplier is 2).

D. **Reserve for Overseas Investment Losses**
A firm investing abroad may accumulate a fund equal to 50 percent of its investments abroad as a reserve against overseas investment losses. The money placed in this reserve is counted as a tax-deductible expense.

E. **Special Exemptions for Technical Exports**
A tax exemption is granted in the amount of either 1 or 2, below, whichever is lower.

1. 70 percent of the amount paid for the use of the patent or other technical knowledge.
2. 50 percent of the income accruing from the above contract.

F. **Entertainment Expense**
A certain percentage for expenses for the entertainment of foreign buyers may be authorized as tax-deductible expense on a case-by-case basis.

G. **Tax Refund for Exporters**
Exporters and export manufacturers may be refunded a portion of the import duties paid on raw material and components to be used in the manufacture of products that are subsequently exported from Japan (up to a maximum of 0.5 percent of the price of the exported product may be refunded).

II. Special Financial Treatment

A. **Export Trade Bill System**
At the direction of the Finance Ministry, an export trade bill drawn by an exporter with the letter of credit as security may be discounted at 4.645 percent per annum, if it qualifies for rediscount by the Bank of Japan.

1. A nonsecured export trade bill may also qualify for a loan from a city bank. If an export trade bill, drawn by an exporter after the conclusion of an export contract is qualified for rediscount by the Bank of Japan but is secured by a letter of credit, a city bank may loan money against the export trade bill at 5.475 percent per annum.
2. Under this system there is no limit on either the size of the applicant company or the value of the letter of credit, but loans cannot be granted more than one year before shipment.

B. **Foreign Trade Exchange Fund Loan System**
The bank of Japan maintains a fund from which loans can be made to city banks to facilitate the purchase of export bills by foreign exchange banks. When a city bank purchases an export bill that is a time draft, the equivalent of the export bill may be loaned to the city bank at an annual interest rate of 2.555 percent. This policy allows the city bank to release more funds for the purchase of additional export bills.

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C. **Overseas Economic Cooperation Fund**
This fund can loan and invest in projects to Japanese firms engaging in industrial development that will accelerate economic interchange between the recipients and Japan. The rate of interest on these loans is 3.5 percent per annum or higher, and normal maximum terms are for 20 years.

D. **Japan Development Bank**
If a private enterprise contributes appreciably to national economic growth through foreign trade, and if the modernization for that enterprise is considered important for the growth of the national economy, Japan Development Bank loans may be available to that company for the purchase of new equipment. Firms qualified for this financing are generally capitalized at less than $5.6 million.

III. **Export Insurance System**

There are eight insurance plans administered by the Ministry of International Trade and Industry under the Japanese Export Insurance Law of 1950: Ordinary Export Insurance, Export Price Insurance, Export Bill Insurance, Export Loan Insurance, Consignment Sale Export Insurance, Overseas Advertising Insurance, Insurance on the Principal of Overseas Investments. Of these, approximately 62 percent of the total insured amount occurs under the first plan of Ordinary Export Insurance.

IV. **Wage Differences**

The current wage scale in the Bolt, Nut, and Rivet Industry in Japan has been reported as approximately $150 per month. This rate compares to the average monthly wage in the Bolt, Nut, and Rivet Industry in the United States of $550 per month. Thus, it is readily apparent that Japan does not require any other taxes beyond duty to establish significant barrier to the importation of foreign fastener products. In 1963 Japan exported fasteners to the United States for a total f.o.b. value of $13,263,000. Total fastener exports to Japan in 1963 had a value of $1,820,000. Thus, a ratio of almost 12 to 1 exists between exports of fasteners to the United States and all imports entering Japan.

V. **Summary**

Fasteners exported by Japan to the United States:

1962 – $11,205,000	1965 – $29,494,000
1963 – $13,680,000	1966 – $32,270,000
1964 – $18,751,000	1967 – $35,457,000

Total fastener exports from Japan to the United States for the six-year period: $140,857,000

Fasteners exported by the United States to Japan:

1962 – $100,000	1965 – $289,000
1963 – $101,000	1966 – $387,000
1964 – $217,000	1967 – $785,000

Total fastener exports by the United States to Japan for the six-year period: $1,879,000. Total trade deficit: *$138,978,000*

FRANCE

I. **Exemptions from Sales Tax**

All exports are exempted from sales tax.

II. **Tax Relief Measures**

Producers exporting at least 20 percent and merchants exporting at least 50 percent of their total sales volumes may be allowed to delay payment of taxes beyond the due date if they can show that their temporary inability to pay is due to their efforts to export. Expenses connected with services and market research carried out with the view of establishing a sale abroad may be deducted from a firm's taxable income over a period of three years, but must be put back into taxable income later. The restitution may be spread over a period of five years and may be waived with respect to certain countries designated by the Administer of Finance.

Exporters may establish a tax-free reserve to recover possible losses on exports made on medium-term credit, but reserves not used to cover such losses must be taken back into taxable income in the last tax year.

III. **Export Insurance**

A. **Credit Risk Insurance**
The French Export Insurance Company issues insurance to cover risks

for nonpayment of goods exported on credit, when risks cannot ordinarily be covered commercially. This company is a quasi-governmental organization.

B. **Export Promotion Insurance**
Export insurance is provided by the French Export Insurance Company against financial risks arising from export promotion projects in foreign markets. The insurance enables firms, if their export programs fail wholly or in part, to recover up to 50 percent and more in some cases, of the amount disbursed and not amortized.

C. **Exhibitors Insurance**
The same French company covers firms against risks involved in efforts to sell abroad through participation in foreign trade fairs. An insured firm receives an advance of 50 percent of authorized expenses. If the firm's effort is successful, it reimburses the advances in installments, over a period of a year or two, as a percentage of sales in the area where the trade fair took place.

D. **Credit Term**
The Bank of France provides a special rediscount rate of 3 percent on exports payable. The regular rate is currently 3.5 percent. Loans with terms of over eight years may be granted by French commercial banks directly to foreign companies to finance export sales of equipment valued at more than $5,000,000. The portion of the loan in excess of five years is drawn from government funds.

E. **Export Awards**
Export awards are given annually for outstanding export performance to firms employing less than 5000 workers. The first prize in each category (of which there are eight) consists of 6000 miles of air travel credit with Air France.

ITALY

I. **Tax Rebates**

Exporters receive a rebate of turnover on their sales. Different rates of rebate are established according to the amount of turnover taxes levied on the product during the course of its production and distribution. The rates vary from one to 6.5 percent, calculated on the f.o.b. or the actual sales price, as proved by the exporter to the Italian Customs.

II. **Export Credit**

A. **Mediocredito**
Direct participation by Mediocredito consists of refinancing 75 percent of the export credit principal financed by an Italian medium-term lending institute. The interest rate applicable to financing by Mediocredito Centrale is 3 percent. The interest rate to the foreign importer for the amount refinanced by Mediocredito must not exceed 5.9 percent. The balance of credit is charged the normal rate of 8.5 percent.

B. **Interest Rate Subsidy**
An interest rate subsidy of 2.6 percent to cover part of the interest payable on credit exists. The maximum allowable rate of interest on export credit is 8.5 percent. If the interest rate subsidy is paid, the effective rate charged a foreign importer may not exceed 5.9 percent.

C. **Combined Participation through Refinancing and Subsidy**
Mediocredito may refinance 25 percent of the export credit principal financed by the lending institute, and may grant a subsidy toward payment of interest of 2.3 percent per annum on the remaining 75 percent of the principal.

BELGIUM

I. **Exemptions and Rebates**

An exemption from the transmission tax is granted on sales of goods by manufacturers or traders to destinations outside Belgium and on the purchases by manufacturers or traders on goods for export. Partial or total exemptions from the transmission tax are given at the time of re-exportation of imported goods, whether they have been altered or not.

II. **Preferential Discount Rate for Export Acceptances**

The Belgium International Bank discounts export acceptance at a preferential margin below its normal discount rate for commercial acceptance of up to 120 days term. For acceptance of 120 days or longer term, the Institute of Rediscount and Guarantee offers a similar preferential margin.

III. **Export Credits**

The Belgian Government aids export promotion by granting credits to exporters through the Institute of Rediscount and Guarantee, Credit Export, and the Export Financing Pool.

NETHERLANDS

I. **Tax Rebates**

An exporter may obtain a rebate on turnover taxes paid on goods exported and on raw materials and semimanufactures used in their production. Provision is also made for rebates of taxes paid on solid fuels, gas, and electricity consumed in the manufacture of exports.

II. **Reinsurance Facilities for Export Credit Insurance**

The Dutch Government reinsures export credits granted by the Netherlands Credit Insurance Company, a private firm. There is no ceiling on the amount the government may reinsure, and all categories of goods and services are eligible for this insurance.

III. **Netherlands Council for Trade Promotion**

This Council is financed on a 50-50 basis by the government and private industry. Government contributions amount to over $400,000. The Council covers the following subjects to promote Dutch exports: Market Analyses, Trade Fairs, Trade Missions, Trade Directory, and Economic Information Services.

GERMANY

In June, 1967, Germany published its new Added-Value Tax Law, which became effective January 1, 1968. The purpose of this law is to eliminate the tax-upon-tax situation that had existed under the previous turnover tax structure. Under that tax structure, imported goods were taxed at 6 percent, while under the new value-added structure they will be taxed at 10 percent. The new added-value tax on imports is a deductible pre-tax, and therefore, a transmitted item. By comparison, the old import equalization tax was the base for a pyramid of accumulated taxes. Thus, the difference between the new rate and the old rate could be less than appears obvious, depending upon the number of stages between importer and consumer.

As under the old system, the computation of tax on imports is based on the customs value. Both systems include in the customs value the duty and excise taxes, but not the import tax itself. The value-added tax system also includes the transportation costs in Germany to the first point of destination, if these costs are not already included in the invoice price. Indications are that the value-added tax adopted by Germany could be the forerunner of a new taxing method to be used by all EEC participants to replace their present turnover tax structure.

At the time of import, an equalization tax equivalent to the added-value tax applicable to domestic goods will be levied, together with the customs duty. Import equalization tax rates are identical with added-value tax rates.

The Industrial Fasteners Institute gratefully acknowledges the gracious help received from:

1. U. S. Department of Commerce
   Bureau of International Commerce
   Washington, D. C.

2. U. S. Department of Commerce
   Field Office
   Cleveland, Ohio

3. Canadian Consulate
   Cleveland, Ohio

4. British Consulate
   Cleveland, Ohio

5. Office of the Special Representatives for
   Trade Negotiations:
   Report on U. S. Negotiations,
   Volume I

6. Trade Relations Council
   122 East 42nd Street
   New York, New York

7. Overseas Business Reports
   OBR 65-11 March, 1965
   OBR 67-70 November, 1967
   (U. S. Department of Commerce)

8. Notice by the Commissioners
   of Customs & Excise
   Great Britain Notice No. 78,
   November, 1966

9. International Commerce
   U. S. Department of
   Commerce Weekly
   July 31, 1967
   July 17, 1967
   January 22, 1968

10. German American Trade News
    Volume 21 #9 Sept. 1967
    #10 Oct. 1967
    #11 Nov. 1967
    #12 Dec. 1967

11. Consulates General of Japan
    East 42nd Street
    New York, New York

12. Ernst & Ernst
    Union Commerce Building
    Cleveland, Ohio

13. Bureau D'Etudes Economiques
    10, Rue St. Augustin
    Paris, France

The Government and International Affairs Committee of the Industrial Fasteners Institute* has, to the best of its abilities, verified the schedules and other data that support the analysis given in this Statement. However, member companies of significant size and experience in exporting have encountered a number of difficulties in assembling the necessary data. The information presented is as precise as possible but can be supplemented (and extended to other markets) if useful.

The Institute will respond to any questions raised by the material presented in this Statement or to supplement it in any way that might be helpful in further developing the significant points which it believes the Statement raises.

Respectfully submitted,

James G. Graham

James A. Graham, Chairman,
Government and International
Affairs Committee,
Industrial Fasteners Institute

The Industrial Fasteners Institute is an association representing United States manufacturers of fasteners. It is particularly concerned with technical matters, such as United States and international standards, standardization, and engineering, but also serves as the trade association representative of the mechanical fastening industry.

Mr. BURLESON. Thank you very much, Mr. Graham. It is a most interesting and informative statement.

Mr. Masterson, do you have anything to add?

Mr. MASTERSON . No, sir.

Mr. BURLESON. Mr. Pettis, do you have some questions?

Mr. PETTIS. Thank you, Mr. Chairman.

I would like to pursue one point that you make where I think you state that our exports to Japan amounted to approximately $1,750,000 last year.

Mr. GRAHAM. That is correct.

Mr. PETTIS. And that was primarily in the area of replacing fasteners on military equipment, probably American military equipment, things of that nature.

Mr. GRAHAM. That is correct.

Mr. PETTIS. I gather little or none of this was used in Japanese manufacture or in products that originate in Japan.

Mr. GRAHAM. That is our impression.

Mr. PETTIS. Is it possible that some of the products that we see on the American market made in Japan with American labels on them could use these fasteners or are their prohibitions against that today, the fasteners?

Mr. GRAHAM. I do not know that we are really prepared to answer that question, but I can offer an opinion that if there is a Japanese product on the market in the United States in an assembly of some type that was assembled with mechanical fasteners the chances are very high that the fasteners included are Japanese in origin.

Mr. PETTIS. This is certainly not intended to pose a solution to your problem. I was just wondering where the American companies got their fasteners who are producing products in Japan, at least with an American label on them.

Mr. GRAHAM. My impression is that they would get them either in Japan or some other country other than the United States because our export into Japan is so small that we could not support much of a product export program for any company; $1.7 million worth of fasteners is a very small amount. We have analyzed the mix of products involved in the $1.7 million and you will find fasteners in there of beryllium, titanium, very, very exotic types of fasteners mostly related to the aerospace industry, or the electronics industry, where the price per pound is extremely high; $1.7 million represents very few fasteners in number. They are exotic special fasteners, in other words?

Mr. PETTIS. I have just one more question, Mr. Chairman.

Where does the great bulk of the exporting of fasteners go? To what countries?

Mr. MASTERSON. Mostly to Europe and again they are mostly patented or proprietary items. Low value per ton standard fasteners coming into the United States have a depressing effect on the entire marketplace. Exports are essentially high value per ton special fasteners that cannot be produced in Europe but the biggest user would be European countries, to some extent as replacement parts for U.S. vehicles and machinery and so forth, in Europe. We do not penetrate foreign markets. They penetrate us at will.

Mr. PETTIS. This is non-Japanese markets?

Mr. MASTERSON. This is correct. But we do have an export capability and would have a favorable U.S. balance of trade in spite of European non-tariff barriers.

In Japan with the export licensing required we can not jump over that wall. In their own statement which they have given to us they say that they have created a very favorable fastener balance of trade with the United States while the imports of fasteners are very low. This is in their own language and this is quoted in the text.

At the request of our State Department and Department of Commerce the last 12 years we have been very cooperative with the Japanese fastener industry. They have set up an institute somewhat similar to our own. We are friendly and helpful to them. They have markets behind the Iron Curtain and they can sell wherever they want to where we do not have free access because either we do not want to or the Government says you should not. This is not true with the Japanese. They sell to Red China, any market in the world.

Mr. PETTIS. If you exclude the items you talk about as replacement items you really have a zero market, then, in Japan?

Mr. MASTERSON. This is corrcet.

Mr. BURLESON. Thank you, Mr. Graham and Mr. Masterson, for coming.

Mr. GRAHAM. Thank you, Mr. Chairman.

(The following statements were received for the record:)

STATEMENT OF BUILDERS HARDWARE MANUFACTURERS ASSOCIATION, CLYDE T. NISSEN, EXECUTIVE DIRECTOR

PURPOSE OF STATEMENT

1. It is the purpose of this statement to present viewpoints of the builders' hardware manufacturing industry relative to proposed Bill H.R. 14870, The Trade Act of 1970.

With qualifications, the builders' hardware manufacturing industry favors the broad purposes contained in the proposed legislation. It is believed that the interests of the American Economy and of American industry can be advanced through legislation of this type provided proper safeguards to prevent unwarranted damage to industry are also enacted.

2. We urge that that basic objectives outlined in the proposed legislation be accomplished without serious and needless injury to American industry. Such damage can, we believe, be kept to a minimum through retention of adequate safeguards and the clarification and strengthening of Congressional powers and control.

INTRODUCTION

Builders' hardware includes hinges, cabinet hardware, door controls, locks and lock trim, exit devices, sliding and folding door hardware, padlocks, architectural door trim and a wide variety of miscellaneous shelf hardware such as coat hooks, window locks, door stops, key blanks, etc.

The Builders Hardware Manufacturers Association is a trade group of American companies who manufacture builders' hardware items. The membership of the association accounts for approximately 75% of the total dollar value of builders' hardware items manufactured and shipped in the United States.

In general, the industry is composed of more than 200 manufacturing organizations, ranging in size from those who employ less thna 25 to companies whose employment exceeds 3,000. The companies are located nation-wide, with special concentrations in the lower New England area, in the Chicago area, and in California. In 1969, the net shipments of the industry amounted to approximately $700,000,000 according to projected survey figures of the Department of Commerce.

Although industry members are sympathetic with the over-all purpose of the proposed legislation, we believe it necessary that the following points should be made clear:

1. Continued reductions in tariff rates on builders' hardware products may well cause irreparable economic injury to American producers of builders' hardware.

2. Foreign producers of builders' hardware need no additional import duty reductions to become competitive in the domestic market. Under current tariff rates, foreign producers of builders' hardware have been able to increase their share of the American market by 824% over the past ten full years, according to government reported import statistics.

3. The reduction or elimination of foreign tariffs and non-tariff barriers to American-made builders' hardware products will not assist this industry in the expansion of its export markets. In August 1963, representatives of the builders' hardware manufacturing industry met with Department of Commerce representatives for the purpose of advising the Department relative to specific foreign tariff and non-tariff barriers to the export of industry products. The meeting report substantiates the statements contained herein and supports the conclusions reached.

REASONS FOR LIMITED INDUSTRY EXPORTS

Exports of builders' hardware products have continued to decline during the past decade. The reasons for the low export position of this industry are numerous.

a. *Wage rate differentials.* High production cost for American builders' hardware products tend to make such products non-competitive in European and other foreign markets. A major portion of these costs are labor charges, including soical benefits, which in the Common Market countries are only about one-third of the rate in the United States and even lower in other markets.

b. *Style differences.* American builders' hardware styling has little acceptance in foreign markets. The streamlined, clean cut of many American designs does not appear to fulfill the foreign desire for builders' hardware that is heavy and decorative, extra costly by American standards. American style cylindrical locks, slim surface-applied door closers and hardware for lightweight doors appear to create little interest in the European marketplace. For American hardware manufacturers to tool-up for production of European styles and standards would be prohibitively costly in view of the available market size and other deterring elements.

c. *Diverse standards.* Technical standards for builders' hardware items in the various foreign markets differ from American standards. The cost of tooling to produce the different types to meet foreign standards solely for export sale would be uneconomic and prohibitive for American manufacturers.

d. *Nationalistic tendencies.* In most European countries, small but well established manufacturing plants satisfy the needs of the market for builders' hardware items. Their market is protected by local product standards, a preference by consumers for products of their own country and a favorable price differential already noted.

THREAT OF INCREASED FOREIGN IMPORTS

As previously noted, foreign producers of builders' hardware are presently entering the American market and obtaining an increasing volume in spite of the existing import duty rates. The volume of imports has been increasing heavily over the last five years and certain foreseen elements would indicate that this expansion of builders' hardware imports will continue. European hardware manufacturers, since the close of World War II, have been working at capacity to answer the needs of a re-building Europe. Now that this boom is over, foreign hardware manufacturers can be expected to turn their attention to the American marketplace.

Even in meeting the current competition of foreign imports, American builders' hardware manufacturers are faced with certain unquestioned facts. Builders' hardware specifications published by the Department of Commerce tend to make for a huge, mass market of builders' hardware products to which a foreign manufacturer may quickly and easily gear his production.

The less complicated products manufactured by the domestic builders' hardware industry such as hinges, cabinet hardware, sliding and folding door hardware, shelf and closet items, etc., have no important differences in general appearance or obvious performance characteristics to shield them from being displaced by closely competitive foreign imports. Foreign manufacturers are mechanized and have equivalent productive skill. Their production per man hour is equal to ours; however, their labor charges, including soical benefits, as noted.

are only about one-third or less of the American rate. The effect of this tremendous disparity in wage rates can be judged by the fact that payroll represents a major percentage of the industry dollar volume.

Among the more complicated items manufactured by the domestic builders' hardware industry such as door closers, floor checking hinges, cylindrical and tubular door locks, exit devices, etc., increased labor is required to fabricate products to meet American standards of quality. Accordingly, because of the high percentage of labor cost in the finished product, the industry's competitive position against imported merchandise is vastly weakened. It is becoming more difficult for performance characteristics and design features to overcome the heavy price advantage enjoyed by imported hardware, even with present small import duty rates.

Another problem which faces the American builders' hardware manufacturer is the requirement that he comply with certain Federal enactments not binding upon the foreign manufacturer. An example is a recent purchase order by the Navy Department open to bid by both domestic and foreign manufacturers. American bidders are forced to meet U.S. product standards, comply with minimum wage and hour laws and adhere to applicable sections of the Walsh-Healy Act. Foreign competitors need not meet these restrictions, with the result that the foreign supplier can usually submit the lowest bid.

The continued lowering of domestic import duty rates is usually a one-way street. Imports increase substantially while exports, for reasons previously noted, struggle to hold their own or fall off. In time this can substantially affect the balance of trade in builders' hardware products.

CONCLUSIONS

It is the opinion of industry members that foreign tariff and non-tariff barriers to the import of American-made builders' hardware products are not factors of major importance in limiting the amount of industry exports. The present barriers to the export of builders' hardware items are not those imposed by foreign governments. The true barriers to export are, as already indicated :

a. The lower production costs enjoyed by competing foreign manufacturers, mainly because of vastly lower wage rates, an advantage which cannot be compensated for by so-called American know how and efficiency.

b. The lack of ready acceptance in European markets of American-style hardware.

c. The prohibitive costs which an American manufacturer faces if he decided to tool-up to meet the diverse technical standards of each nation of the European community.

d. The nationalist tendencies of both purchasers and installing craftsmen which make the sale of competing foreign builders' hardware products practically impossible.

Continued cuts in the U.S. tariff rates on builders' hardware items which would probably be sought should the United States request removal of foreign tariff barriers, could be most damaging to the American industry and would most certainly open our doors to increased, harmful, low-cost imports of builders' hardware items. It should be noted that the barriers to export of builders' hardware items noted above, are mainly non-governmental, involved with labor rates, styling, consumer preferences and differing standards, while the barriers to imports are solely the small existing tariff rates (already reduced by more than 75% of the rates of 20 years ago) imposed by the United States government. There are no wage rate advantages, no nationalistic approaches to builders' hardware preferences, no particular style objections, and no discriminatory standards, only those published by the government—an invitation to participate in the greatest mass market the world has ever known.

The builders' hardware manufacturing industry of the United States currently enjoys no effective protection against low-priced foreign imports. We would support legislation under which the industry can continue to grow and serve the American public with fine quality hardware products at economical prices. In pursuit of this goal, the industry is confronted with these hard facts:

a. The import duty on all important classifications of builders' hardware has already been reduced more than 75% under the Reciprocal Trade Agreement Acts and their extentions. (In addition, it should be recalled that the effectiveness of the remaining specific duties have been greatly weakened through years of monetary inflation.)

b. The industry's products are articles of prime essentiality and of strategic necessity. The industry, because of its primary product and its manufacturing versatility, is essential to the national welfare in times of war and peace.

c. Since the industry faces serious difficulties due to rising costs, loss of export markets, excess manufacturing capacity and intense domestic competition, a large influx of foreign builders' hardware, which would follow a further reduction in import duty rates, could be fatally damaging to American manufacturers.

d. The American builders' hardware manufacturing industry cannot readily convert its main productive facilities into the manufacture of other products.

For these reasons, the builders' hardware manufacturing industry respectfully recommends that (a) adequate safeguards for American industry be included in any proposed legislation which involves a further reduction of import duties; and (b) provision be made in any new trade legislation to require appropriate government agencies to hear representatives of affected industries before and/or during negotiations with foreign governments concerning the import duty rates of industry products.

UNITED STATES WOOD SCREW SERVICE BUREAU,
New York, N.Y., June 5, 1970.

Subject: Urgent Appeal for Legislation to Prevent Plant Closings Due to Imports.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Building, Washington, D.C.

DEAR MR. MILLS: On behalf of the domestic manufacturers of wood screws, machine screws, rivets, aircraft locknuts and related threaded fastener products, we respectfully request and urge that the Committee on Ways & Means of the U.S. House of Representatives add an amendment to Import Quota Bill HR 16920 which would include in that Bill an absolute import quota on the above mentioned threaded fastener products.

This urgent appeal is made to you because of the critical conditions which, as a result of substantial increases in imports, have arisen in the domestic threaded fastener industry and which now threaten to completely eliminate our domestic industry and eliminate thousands of American jobs.

The facts of this situation are as follows:

1. As indicated by the enclosed chart marked Exhibit "A", in the period from January 1, 1964 through 1970 imports of all types of screws, nuts, bolts, and rivets entering the USA will increase more than 254%. Back up figures on the chart indicate that in 1964 the annual imports of these products amounted to $34,123,536.00 while in 1970, projected, they will increase to approximately $120,900,000.00.

2. A glaring example of the serious erosion of our domestic industry by imports now in progress is clearly shown by the attached black and red chart marked Exhibit "B". This shows that IMPORTS OF WOOD SCREWS HAVE ALREADY CAPTURED 72% OF THE AMERICAN MARKET.

3. Based upon recent statistical studies by the domestic industry, where annual sales of $26,218.00 are required to support the job of *one* employee, we find that the impact of imported screws on the U.S. market, prevents employment of between 8,000 and 9,000 factory workers.

4. Three appeals for "escape" and relief from injury filed with the U.S. Tariff Commission by the U.S. Wood Screw Service Bureau have been of no avail.

Accordingly, we respectfully submit that the only solution to this problem is quota legislation to protect our American producers and their employees as suggested by the addition of an absolute quota provision on these threaded fastener products to Import Quota Bill HR 16920.

We respectfully request that this letter be included in the Record of the International Trade Hearings now being conducted by the Committee on Ways & Means of the U.S. House of Representatives.

In accordance with your Committee requirements three copies of this letter are sent to you herewith.

Please note that this appeal is submitted to you on behalf of the manufacturing concerns appearing on the list also attached to this letter.

Yours very truly,

GEORGE P. BYRNE, JR., *Secretary.*

FROM
GEORGE P. BYRNE, JR.
331 MADISON AVE.
NEW YORK, NY

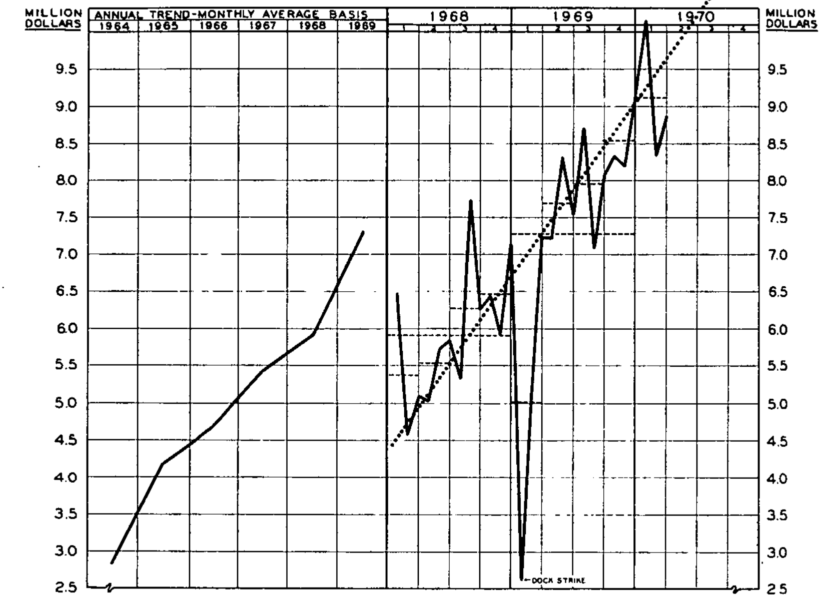
EXHIBIT "A"

WILL IMPORTS REACH THESE LEVELS IN 1971?

TOTAL IMPORTS OF SCREWS, NUTS, BOLTS & RIVETS INTO U.S.A.

DATA FROM BUREAU OF CENSUS - U.S. DEPT OF COMMERCE

COMBINED TOTAL DOLLAR VALUATION OF 17 MAJOR GROUPS
AS CALCULATED FROM
IMPORTER'S OWN OPTED LOW-LOW DECLARED VALUATION FOR EACH ITEM SUBJECT TO DUTY



-ANNUAL COMPARISONS-

PERIOD	ANNUAL TOTAL	MO. AVG. RATE
1964	$ 34,123,536	$ 2,843,628
1965	49,940,088	4,161,674
1966	56,141,580	4,678,465
1967	65,568,828	5,464,069
1968	70,979,256	5,914,938
1969	87,547,231	7,295,634
*1970	120,900,000	10,075,000

*1970 When projected on current trend basis.

MONTH & QUARTERLY COMPARISONS

	1968	1969	1970
JAN	$6,469,584	$2,596,956	$10,196,344
FEB	4,580,346	5,141,059	8,335,563
MAR	5,110,441	7,263,691	8,860,546
1st QU.	5,386,790	5,000,569	9,130,810
APR	5,025,213	7,259,391	
MAY	5,704,985	8,309,160	
JUN	5,823,248	7,514,948	
2nd QU.	5,517,815	7,694,500	9,864,000*
JUL	5,300,190	8,700,432	
AUG	7,237,629	7,074,744	
SEP	6,269,564	8,080,690	
3rd QU.	6,269,128	7,951,955	10,083,000*
OCT	6,444,305	8,316,947	
NOV	5,895,370	8,164,459	
DEC	7,118,385	9,124,754	
4th QU.	6,486,020	8,535,387	11,224,000*
YEAR	5,914,938	7,295,634	10,075,000*

* CURRENT TREND PROJECTIONS

FROM:
GEORGE P. BYRNE, Jr.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.
NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

ISSUED

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

REF.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% RATE	YEAR	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): GROSS	VALUATION	VALUE PER G.
A	WOOD SCREWS	PRIOR RATES	12.5%	1964	1,358,874	$ 202,612	$.149
	OF IRON OR STEEL - IN GROSS	" "	12.5	1965	1,522,733	236,066	.155
	(6464940)	" "	12.5	1966	1,622,240	241,179	.149
		" "	12.5	1967	1,162,627	182,797	.157
		KENNEDY ROUND	12.5	1968	1,582,065	271,402	.172
		" "	12.5	1969	1,848,075	347,320	.188
		" "	12.5	1970			
		" "	12.5	1971			
		" "	12.5	1972			
B	WOOD SCREWS	PRIOR RATES	18.0%	1964	65,794	31,591	.480
	OF OTHER BASE METAL - IN GROSS	" "	18.0	1965	77,864	35,538	.456
	(having shanks or threads OVER 0.12 inch in diameter)	" "	18.0	1966	91,349	39,837	.436
	(6465300)	" "	18.0	1967	52,663	27,431	.521
		KENNEDY ROUND	16.0	1968	57,086	33,041	.579
		" "	14.0	1969	66,918	35,527	.531
		" "	12.5	1970			
		" "	10.5	1971			
		" "	9.0	1972			
C	LAG SCREWS	PRIOR RATES	12.5%	1964	51,954	47,801	.920
	OF IRON OR STEEL - IN GROSS	" "	12.5	1965	69,411	63,564	.916
	(6464920)	" "	12.5	1966	62,986	46,527	.739
		" "	12.5	1967	69,443	61.767	.889
		KENNEDY ROUND	12.5	1968	109,561	62,512	.571
		" "	12.5	1969	141,495	95,967	.678
		" "	12.5	1970			
		" "	12.5	1971			
		" "	12.5	1972			
D	MACHINE- TAPPING-SET & OTHER SCREWS	PRIOR RATES	22.5%	1964	351,983	69,062	.196
	SCREWS OF IRON OR STEEL - IN GROSS	" "	22.5	1965	848,437	118,453	.140
	(having shanks or threads NOT OVER 0.24 inch in diameter)	" "	22.5	1966	1,437,268	215,649	.150
	(6466040)	" "	22.5	1967	2,070,222	286,836	.139
		KENNEDY ROUND	20.0	1968	2,301,420	344,852	.150
		" "	18.0	1969	3,469,541	518,144	.149
		" "	15.5	1970			
		" "	13.0	1971			
		" "	11.0	1972			
E	MACHINE - TAPPING-SET & OTHER SCREWS	PRIOR RATES	19.0%	1964	108,425	83,911	.774
	SCREWS OF IRON OR STEEL - IN GROSS	" "	19.0	1965	146,290	89,406	.611
	(having shanks or threads OVER 0.24 inch in diameter)	" "	19.0	1966	230,571	137,056	.594
	(6466340)	" "	19.0	1967	319,504	182,010	.570
		KENNEDY ROUND	17.0	1968	317,944	233,158	.733
		" "	15.0	1969	341,839	271,097	.793
		" "	13.0	1970			
		" "	11.0	1971			
		" "	9.5	1972			
F	-STOVE BOLT SIZES-	PRIOR RATES	0.5¢	1964	A 1,450,040	166,349	.115B
	MACHINE SCREWS OF IRON OR STEEL - IN POUNDS	" "	0.5	1965	2,455,152	281,171	.115
	(0.375 in or more in length and 0.125 or more in diameter. (Not in-cap screws)	" "	0.5	1966	2,373,674	272,068	.115
	(6465800)	" "	0.5	1967	1,982,754	252,563	.127
	(A) = POUNDS (B) = PER LB.	KENNEDY ROUND	0.5	1968	2,876,151	366,148	.127
		" "	0.5	1969	3,364,989	478,407	.142
		" "	0.5	1970			
		" "	0.5	1971			
		" "	0.5	1972			

MONTHLY TOTAL IMPORTATIONS

REF.	MO.	1968 GROSS	1968 VALUATION	1968 VALUE PER G.	1969 GROSS	1969 VALUATION	1969 VALUE PER G.	1970 GROSS	1970 VALUATION	1970 VALUE PER G.	MO.
A	Jan	1,613,940	$ 269,895	$.167	532,450	$ 144,869	$ .272	2,238,757	$ 413,407	$ .185	Jan
A	Feb	1,170,829	197,556	.169	1,305,808	227,424	.174	1,392,215	308,381	.222	Feb
A	Mar	1,327,383	229,730	.173	2,003,391	372,338	.186	1,818,445	330,425	.165	Mar
A	Apr	1,239,939	234,766	.189	2,512,653	410,739	.163				Apr
A	May	1,382,584	294,927	.213	2,004,745	362,399	.181				May
A	Jun	1,364,229	248,942	.182	2,081,115	349,470	.168				Jun
A	Jul	1,630,699	247,346	.152	1,807,710	333,834	.185				Jul
A	Aug	1,838,077	275,906	.150	1,527,281	328,659	.215				Aug
A	Sep	1,792,934	310,439	.173	1,905,893	342,415	.180				Sep
A	Oct	1,794,208	317,615	.177	2,373,622	450,924	.190				Oct
A	Nov	1,661,120	305,797	.184	1,730,484	351,698	.203				Nov
A	Dec	2,168,833	323,909	.149	2,391,753	493,070	.206				Dec
B	Jan	60,426	42,587	.705	52,698	10,682	.203	107,669	70,562	.655	Jan
B	Feb	20,770	14,175	.682	29,967	11,417	.381	40,351	28,843	.715	Feb
B	Mar	51,059	33,345	.653	63,572	40,936	.644	82,292	28,190	.343	Mar
B	Apr	78,615	36,158	.460	92,484	50,419	.545				Apr
B	May	79,847	38,876	.487	109,064	46,357	.425				May
B	Jun	93,197	51,067	.548	38,446	23,146	.602				Jun
B	Jul	60,505	35,438	.586	65,639	40,335	.614				Jul
B	Aug	40,773	24,966	.612	90,537	34,878	.385				Aug
B	Sep	49,412	32,590	.660	101,552	55,302	.545				Sep
B	Oct	54,944	31,045	.565	51,830	30,276	.584				Oct
B	Nov	48,038	28,915	.602	34,423	30,427	.884				Nov
B	Dec	47,446	27,330	.576	72,782	52,145	.716				Dec
C	Jan	132,596	59,013	.445	22,581	26,305	1.165	143,309	137,659	.961	Jan
C	Feb	59,480	54,734	.920	107,857	62,848	.583	93,110	102,867	1.105	Feb
C	Mar	80,351	58,421	.727	75,425	67,185	.891	182,819	206,551	1.130	Mar
C	Apr	75,272	51,603	.686	98,207	70,147	.714				Apr
C	May	115,646	80,469	.696	149,981	120,093	.806				May
C	Jun	117,965	65,850	.558	199,051	124,461	.625				Jun
C	Jul	124,352	55,712	.448	199,110	122,823	.617				Jul
C	Aug	146,076	67,489	.462	73,998	71,904	.972				Aug
C	Sep	143,075	67,784	.474	182,195	123,267	.677				Sep
C	Oct	97,782	56,419	.577	130,483	87,858	.673				Oct
C	Nov	92,295	61,498	.666	163,511	111,521	.682				Nov
C	Dec	129,845	71,150	.548	295,541	163,196	.552				Dec
D	Jan	2,870,039	337,801	.118	1,100,233	202,218	.184	4,465,055	728,553	.163	Jan
D	Feb	1,490,155	250,109	.168	2,763,405	434,679	.157	4,004,498	690,938	.173	Feb
D	Mar	1,808,564	314,899	.174	3,569,855	454,910	.127	5,158,668	880,843	.171	Mar
D	Apr	2,200,090	313,320	.142	3,449,188	458,626	.133				Apr
D	May	2,446,773	366,170	.150	3,451,898	503,780	.146				May
D	Jun	1,980,008	310,121	.157	3,411,319	527,196	.155				Jun
D	Jul	2,335,544	336,924	.144	3,844,172	609,298	.158				Jul
D	Aug	2,282,502	345,916	.152	4,090,686	551,195	.135				Aug
D	Sep	2,456,432	370,809	.151	3,485,845	509,772	.146				Sep
D	Oct	2,540,849	425,568	.167	3,869,262	602,624	.156				Oct
D	Nov	2,190,392	333,079	.152	4,094,159	657,466	.161				Nov
D	Dec	3,015,689	433,503	.144	4,504,473	705,960	.157				Dec
E	Jan	259,057	217,797	.809	196,220	147,738	.753	554,123	310,938	.561	Jan
E	Feb	225,220	144,165	.640	204,944	225,828	1.102	270,593	250,202	.925	Feb
E	Mar	179,015	146,734	.820	306,374	272,782	.890	456,408	317,166	.650	Mar
E	Apr	203,775	192,518	.945	404,344	257,029	.636				Apr
E	May	324,013	234,446	.724	374,640	359,514	.960				May
E	Jun	399,305	288,193	.722	179,096	135,617	.757				Jun
E	Jul	361,736	283,549	.784	358,134	289,603	.809				Jul
E	Aug	382,976	221,035	.577	439,393	362,026	.824				Aug
E	Sep	346,798	242,437	.699	495,780	413,166	.833				Sep
E	Oct	363,838	223,034	.613	253,617	235,192	.927				Oct
E	Nov	483,629	272,760	.564	458,171	298,461	.651				Nov
E	Dec	275,968	331,222	1.200	431,357	256,206	.594				Dec
F	Jan	3,150,598	386,015	.123	550,151	81,435	.148	3,827,490	670,268	.175	Jan
F	Feb	2,097,808	243,758	.116	2,731,977	378,727	.139	3,240,768	498,695	.154	Feb
F	Mar	2,044,729	299,208	.146	4,921,886	591,465	.120	3,455,749	634,085	.183	Mar
F	Apr	2,546,555	331,775	.130	3,871,893	525,545	.136				Apr
F	May	2,788,316	375,700	.135	4,079,035	540,568	.133				May
F	Jun	2,970,548	318,801	.107	3,169,044	444,874	.140				Jun
F	Jul	2,292,891	311,895	.136	3,669,506	559,084	.152				Jul
F	Aug	3,419,940	436,636	.128	3,307,021	469,203	.142				Aug
F	Sep	3,193,172	380,561	.119	3,649,641	530,786	.145				Sep
F	Oct	3,108,439	448,212	.144	3,851,944	569,611	.148				Oct
F	Nov	3,023,522	387,766	.128	3,248,014	505,498	.156				Nov
F	Dec	3,877,291	473,452	.122	3,329,751	544,083	.163				Dec

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.
NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES		DUTY RATE APPLICABLE IN EACH PERIOD			ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES)				MONTHLY TOTAL IMPORTATIONS 1968			1969			1970			
REF.	1930 TARIFF PRODUCT DESCRIPTION	PERIOD	% RATE	YEAR	GROSS	VALUATION	VALUE PER G.	MO.	GROSS	VALUATION	VALUE PER G.	GROSS	VALUATION	VALUE PER G.	GROSS	VALUATION	VALUE PER G.	MO.
G	-STOVE BOLT SIZES-	PRIOR RATES	23.5%	1964	148,447	$ 33,420	$.225	Jan	243,269	$ 59,018	$ .243	69,357	$ 31,190	$ .450	357,884	$ 129,861	$ .363	Jan
	BOLTS, NUTS, SCREWS & WASHERS OF OTHER BASE METAL - IN GROSS	" "	23.5	1965	130,256	30,857	.237	Feb	145,532	35,140	.241	106,281	29,300	.276	112,853	38,110	.338	Feb
		" "	23.5	1966	167,747	42,412	.253	Mar	93,683	31,710	.338	182,942	57,433	.314	148,402	53,398	.360	Mar
		" "	23.5	1967	190,865	52,302	.274	Apr	101,417	35,579	.351	194,334	54,739	.282				Apr
		KENNEDY ROUND	21.0	1968	174,745	51,407	.294	May	180,174	55,939	.310	297,491	87,759	.295				May
		" "	18.5	1969	215,128	64,603	.300	Jun	142,211	51,507	.362	140,360	64,945	.463				Jun
	(Including bolts & their nuts imported in the same shipment, having shanks, threads or holes NOT OVER 0.24 inch in diameter)	" "	16.0	1970				Jul	249,339	66,917	.268	277,892	76,974	.277				Jul
		" "	14.0	1971				Aug	157,920	55,289	.350	239,788	77,623	.324				Aug
		" "	11.5	1972				Sep	114,131	35,381	.310	221,550	62,535	.282				Sep
								Oct	207,723	69,651	.345	243,785	71,625	.294				Oct
								Nov	330,013	66,949	.203	321,605	74,535	.232				Nov
	(6467500)							Dec	136,527	53,605	.393	286,151	86,578	.303				Dec
H	- BOLTS, NUTS, SCREWS, WASHERS OF OTHER BASE METAL	PRIOR RATES	18.0%	1964	32,018	24,060	.751	Jan	34,272	32,455	.947	7,273	14,115	1.941	48,096	41,714	.867	Jan
	IN GROSS	" "	18.0	1965	25,607	21,226	.829	Feb	33,175	33,167	1.000	100,786	29,873	.296	14,214	31,017	2.182	Feb
		" "	18.0	1966	38,121	26,086	.684	Mar	21,966	23,729	1.080	30,337	34,330	1.132	29,183	36,445	1.249	Mar
		" "	18.0	1967	39,683	39,187	.985	Apr	32,806	37,392	1.140	23,774	35,686	1.501				Apr
		KENNEDY ROUND	16.0	1968	40,686	37,642	.925	May	33,180	27,475	.828	22,561	28,391	1.258				May
		" "	14.0	1969	38,081	33,066	.868	Jun	41,406	34,659	.837	24,952	38,078	1.526				Jun
	(Including bolts & their nuts imported in the same shipment, having shanks, threads or holes OVER 0.24 inch in diameter)	" "	12.5	1970				Jul	60,473	43,263	.715	37,682	34,144	.906				Jul
		" "	10.5	1971				Aug	49,833	43,866	.880	46,389	48,062	1.036				Aug
		" "	9.0	1972				Sep	52,001	54,994	1.058	54,601	35,048	.642				Sep
								Oct	46,293	57,160	1.235	42,152	39,065	.927				Oct
								Nov	43,868	34,789	.793	43,501	31,849	.732				Nov
	(6467600)							Dec	38,961	28,756	.738	22,969	28,152	1.226				Dec
I	CAP SCREWS	PRIOR RATES	22.5%	1964	13,061	18,264	1.011	Jan	28,210	31,414	1.114	129,586	38,914	.300	71,307	44,661	.626	Jan
		" "	22.5	1965	15,529	16,195	1.043	Feb	30,074	31,781	1.057	58,632	60,826	1.037	52,298	76,415	1.461	Feb
	OF IRON OR STEEL - IN GROSS	" "	22.5	1966	24,619	17,258	.701	Mar	35,911	81,355	2.265	82,030	51,412	.627	81,954	42,086	.514	Mar
		" "	22.5	1967	24,714	30,372	1.229	Apr	61,172	46,289	.757	111,722	69,421	.621				Apr
		KENNEDY ROUND	20.0	1968	66,662	53,344	.800	May	48,475	36,681	.757	105,257	43,763	.416				May
		" "	18.0	1969	112,903	70,504	.624	Jun	24,266	48,616	2.003	156,361	77,218	.494				Jun
	(Having shanks or threads NOT OVER 0.24 inch in diameter)	" "	15.5	1970				Jul	54,333	71,259	1.312	74,525	59,862	.803				Jul
		" "	13.0	1971				Aug	72,641	31,368	.432	120,794	83,799	.694				Aug
		" "	11.0	1972				Sep	138,363	60,213	.435	88,396	67,504	.764				Sep
	(6466020)							Oct	72,666	67,787	.933	104,133	95,076	.913				Oct
								Nov	100,023	65,175	.652	109,968	92,582	.842				Nov
	*6467520 inc. in 6467500 after 1/1/66							Dec	133,806	68,183	.510	213,433	105,661	.495				Dec
J	CAP SCREWS	PRIOR RATES	19.0%	1964	263,965	187,222	.709	Jan	724,715	714,194	.985	297,876	275,277	.924	1,402,733	1,294,569	.923	Jan
		" "	19.0	1965	420,399	298,383	.710	Feb	475,720	427,720	.899	532,912	562,126	1.055	1,169,534	1,286,064	1.100	Feb
	OF IRON OR STEEL - IN GROSS	" "	19.0	1966	512,995	362,085	.706	Mar	456,848	456,227	.999	1,037,118	907,155	.875	824,959	1,074,156	1.302	Mar
		" "	19.0	1967	799,289	494,534	.619	Apr	409,379	470,326	1.149	901,857	752,010	.834				Apr
		KENNEDY ROUND	17.0	1968	757,022	640,239	.846	May	501,950	546,154	1.088	1,827,901	1,112,638	.609				May
		" "	15.0	1969	1,098,505	922,011	.839	Jun	701,951	587,078	.836	1,183,864	1,046,056	.884				Jun
	(Having shanks or threads OVER 0.24 inch in diameter)	" "	13.0	1970				Jul	575,236	619,209	1.076	1,178,266	923,585	.784				Jul
		" "	11.0	1971				Aug	996,715	707,159	.709	960,879	787,532	.820				Aug
		" "	9.5	1972				Sep	968,852	748,847	.773	1,313,379	1,233,191	.939				Sep
	(6466320)							Oct	1,251,575	838,353	.670	1,373,634	1,238,945	.902				Oct
								Nov	644,676	656,727	1.019	1,238,180	1,050,212	.848				Nov
	*6467620 inc. in 6467600 after 1/1/66							Dec	1,376,649	910,979	.662	1,336,199	1,175,406	.880				Dec
K	BOLTS & THEIR NUTS	PRIOR RATES	0.5¢	1964	A 6,639,630	734,059	.111 B	Jan	10,319,506	1,436,737	.139	4,731,891	657,715	.139	12,290,563	1,660,342	.135	Jan
		" "	0.5	1965	8,455,640	986,610	.117	Feb	9,484,014	1,133,877	.120	6,012,293	848,216	.141	11,055,153	1,663,213	.150	Feb
	OF IRON OR STEEL - IN POUNDS	" "	0.5	1966	7,727,307	966,405	.125	Mar	8,972,968	1,187,672	.132	9,770,552	1,353,987	.139	11,945,282	1,790,709	.150	Mar
		" "	0.5	1967	9,824,207	1,261,270	.128	Apr	10,591,681	1,298,597	.123	10,983,198	1,342,647	.122				Apr
	(when imported in the same shipment)	KENNEDY ROUND	0.4	1968	10,160,009	1,272,882	.125	May	9,906,184	1,229,625	.124	14,471,324	1,738,883	.120				May
		" "	0.4	1969	10,271,032	1,336,144	.130	Jun	9,876,246	1,295,528	.131	11,466,089	1,413,496	.123				Jun
	(6465400)	" "	0.3	1970				Jul	9,247,685	1,182,859	.128	13,986,307	1,739,024	.124				Jul
		" "	0.3	1971				Aug	12,344,492	1,464,912	.119	9,976,914	1,273,764	.128				Aug
		" "	0.2	1972				Sep	11,451,541	1,434,191	.125	10,915,966	1,445,207	.132				Sep
								Oct	9,774,669	1,154,838	.119	9,984,937	1,332,709	.133				Oct
	(A) = POUNDS (B) = PER LB.							Nov	8,677,594	1,044,926	.120	10,139,613	1,338,767	.132				Nov
								Dec	11,273,530	1,405,819	.125	10,813,496	1,549,318	.143				Dec
L	NUTS	PRIOR RATES	0.3¢	1964	A 5,211,369	1,019,740	.19[illegible] B	Jan	10,723,393	2,477,085	.231	4,078,677	808,856	.198	18,500,859	4,117,714	.223	Jan
		" "	0.3	1965	8,962,042	1,727,042	.193	Feb	7,387,193	1,638,507	.222	9,942,730	1,917,067	.193	13,757,468	2,919,899	.212	Feb
		" "	0.3	1966	9,597,974	1,936,143	.202	Mar	8,294,493	1,865,825	.225	13,768,137	2,551,654	.185	14,000,852	3,087,662	.221	Mar
	OF IRON OR STEEL - IN POUNDS	" "	0.3	1967	10,572,111	2,195,274	.208	Apr	6,917,568	1,572,145	.227	14,693,858	2,792,690	.190				Apr
		KENNEDY ROUND	0.2	1968	10,529,498	2,150,702	.204	May	9,777,283	2,008,004	.205	15,079,203	2,851,848	.189				May
	(6465600)	" "	0.2	1969	13,805,112	2,682,734	.194	Jun	10,699,687	2,218,762	.207	14,765,950	2,758,398	.187				Jun
		" "	0.2	1970				Jul	7,657,189	1,674,162	.219	17,637,321	3,456,110	.196				Jul
		" "	0.1	1971				Aug	15,392,318	3,144,843	.204	12,487,708	2,539,355	.203				Aug
		" "	0.1	1972				Sep	11,757,601	2,139,298	.182	15,508,172	2,832,230	.183				Sep
								Oct	12,550,270	2,340,160	.186	14,827,279	3,030,611	.204				Oct
	(A) = POUNDS (B) = PER LB.							Nov	11,879,604	2,194,334	.185	15,649,413	3,225,802	.206				Nov
								Dec	13,317,380	2,535,298	.190	17,222,894	3,428,184	.199				Dec

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, NY.

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.
NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

REF.	DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES — 1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD — PERIOD	% RATE	YEAR	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES) — GROSS	VALUATION	VALUE PER G.	MO.	MONTHLY TOTAL IMPORTATIONS — 1968 GROSS	1968 VALUATION	1968 VALUE PER G.	1969 GROSS	1969 VALUATION	1969 VALUE PER G.	1970 GROSS	1970 VALUATION	1970 VALUE PER G.	MO.
M	BOLTS, NUTS, SCREWS & WASHERS-OF MUNTZ OR YELLOW METAL BOLTS	PRIOR RATES	3.0¢	1964	A 56,324	$ 28,775	$.511 B	Jan	64,803	$ 38,241	$.590	8,679	$ 6,398	$ .737	116,964	$ 80,855	$ .691	Jan
	IN POUNDS - (6467400)	" "	3.0	1965	52,044	28,018	.538	Feb	200,843	127,407	.634	50,496	31,253	.619	106,801	80,630	.755	Feb
	(Including bolts & their nuts imported in the same shipment)	" "	3.0	1966	112,622	66,836	.593	Mar	60,418	41,389	.685	163,792	105,285	.643	54,316	46,015	.847	Mar
	(A) - POUNDS (B) - PER LB.	" "	3.0	1967	101,536	62,296	.614	Apr	106,521	69,264	.650	75,485	47,079	.624				Apr
		KENNEDY ROUND	2.5	1968	94,044	59,483	.633	May	124,175	77,620	.625	126,066	78,916	.624				May
		" "	2.4	1969	85,597	56,877	.664	Jun	72,472	47,985	.662	76,081	50,574	.665				Jun
		" "	2.0	1970				Jul	89,459	57,739	.645	133,131	90,407	.679				Jul
		" "	1.8	1971				Aug	105,507	60,571	.574	126,333	83,564	.661				Aug
		" "	1.5	1972				Sep	71,488	45,275	.633	70,852	49,207	.695				Sep
								Oct	56,892	33,247	.584	50,591	33,780	.668				Oct
								Nov	99,128	65,190	.658	117,067	81,598	.697				Nov
								Dec	76,825	49,863	.649	28,586	24,462	.856				Dec
N	SPIRAL & OTHER LOCK WASHERS	PRIOR RATES	20.0%	1964	A 181,439	39,376	.217 B	Jan	481,859	103,926	.216	146,343	38,137	.261	649,601	139,702	.215	Jan
	OF IRON OR STEEL - IN POUNDS	" "	20.0	1965	226,999	49,690	.219	Feb	290,834	52,641	.181	406,982	83,549	.205	393,630	88,875	.226	Feb
	(6466500)	" "	20.0	1966	288,954	70,010	.242	Mar	495,026	94,886	.192	348,039	83,813	.241	543,340	126,433	.233	Mar
	(A) - POUNDS (B) - PER LB.	" "	20.0	1967	313,898	75,438	.240	Apr	275,705	77,453	.281	410,371	98,286	.240				Apr
		KENNEDY ROUND	18.0	1968	373,034	81,342	.218	May	475,608	109,568	.230	766,735	141,554	.185				May
		" "	16.0	1969	476,083	102,446	.215	Jun	299,491	72,266	.241	528,315	107,906	.204				Jun
		" "	14.0	1970				Jul	212,952	53,656	.252	455,826	99,894	.219				Jul
		" "	12.0	1971				Aug	289,372	65,311	.226	612,899	121,049	.198				Aug
		" "	10.0	1972				Sep	535,723	109,164	.204	607,175	123,347	.203				Sep
								Oct	331,763	63,705	.192	450,802	112,041	.249				Oct
								Nov	403,419	87,384	.217	434,469	97,313	.224				Nov
								Dec	384,659	86,139	.224	544,039	122,466	.225				Dec
O	WASHERS: OTHER	PRIOR RATES	0.3¢	1964	A 369,892	56,352	.152 B	Jan	346,832	85,101	.245	403,758	68,856	.171	579,771	139,760	.241	Jan
	OF IRON OR STEEL - IN POUNDS	" "	0.3	1965	371,551	60,615	.163	Feb	428,911	85,305	.199	644,464	123,132	.191	648,112	137,977	.213	Feb
	(6467000)	" "	0.3	1966	389,652	79,497	.204	Mar	614,610	123,236	.201	949,891	160,517	.169	494,121	117,194	.237	Mar
	(A) - POUNDS (B) - PER LB.	" "	0.3	1967	472,753	99,476	.210	Apr	739,389	123,918	.168	823,141	136,283	.166				Apr
		KENNEDY ROUND	0.2	1968	576,327	108,692	.189	May	346,913	70,800	.204	862,144	139,424	.162				May
		" "	0.1	1969	720,081	133,837	.186	Jun	439,528	85,467	.194	961,879	166,594	.173				Jun
		" "	0.1	1970				Jul	552,624	100,175	.181	891,650	145,725	.163				Jul
		" "	Free	1971				Aug	656,692	116,216	.177	606,119	112,586	.186				Aug
		" "	Free	1972				Sep	490,734	95,359	.194	391,077	118,986	.304				Sep
								Oct	849,939	143,655	.169	781,600	165,811	.212				Oct
								Nov	685,864	121,423	.177	529,259	93,074	.176				Nov
								Dec	763,890	153,653	.201	795,985	175,060	.220				Dec
P	RIVETS	PRIOR RATES	0.5¢	1964	A 31,512	4,605	.146 B	Jan	117,958	18,190	.154	14,141	4,894	.346	110,291	38,918	.353	Jan
	OF BASE METAL OR IRON OR STEEL (not brightened, not lathed, not machined)	" "	0.5	1965	32,347	5,009	.155	Feb	47,521	7,903	.166	79,234	16,538	.209	96,301	27,198	.282	Feb
	IN POUNDS	" "	0.5	1966	39,390	5,857	.149	Mar	11,198	3,330	.297	90,000	13,394	.149	148,994	66,508	.446	Mar
	(6464000)	" "	0.5	1967	49,959	7,245	.145	Apr	47,562	8,267	.174	66,384	16,054	.242				Apr
	(A) - POUNDS (B) - PER LB.	KENNEDY ROUND	0.4	1968	56,016	10,059	.180	May	79,687	8,121	.102	145,627	24,210	.166				May
		" "	0.4	1969	85,162	24,982	.293	Jun	15,474	4,375	.283	69,714	17,683	.254				Jun
		" "	0.3	1970				Jul	46,013	8,982	.195	49,762	19,074	.383				Jul
		" "	0.3	1971				Aug	18,893	3,848	.204	101,709	34,048	.335				Aug
		" "	0.2	1972				Sep	99,236	17,703	.178	92,524	28,414	.307				Sep
								Oct	28,253	7,932	.281	82,975	37,000	.446				Oct
								Nov	87,670	15,769	.180	79,436	31,633	.398				Nov
								Dec	72,732	16,283	.224	150,440	56,839	.378				Dec
Q	RIVETS: OTHER	PRIOR RATES	14.0%	1964	A 196,725	96,428	.490 B	Jan	393,202	160,105	.407	28,687	39,357	1.372	305,051	176,861	.580	Jan
	OF BASE METAL - IN POUNDS	" "	14.0	1965	219,545	113,831	.518	Feb	193,479	102,401	.529	156,338	98,256	.628	258,636	106,239	.411	Feb
	(6464100)	" "	14.0	1966	287,713	153,559	.534	Mar	264,502	118,745	.486	244,011	145,092	.595	112,627	22,680	.201	Mar
	(A) - POUNDS (B) - PER POUND	" "	14.0	1967	251,575	153,271	.609	Apr	283,877	125,843	.443	279,022	141,991	.509				Apr
		KENNEDY ROUND	12.5	1968	260,042	138,034	.531	May	284,401	144,410	.508	276,339	129,063	.467				May
		" "	11.0	1969	217,676	121,938	.560	Jun	138,919	94,031	.677	302,495	169,238	.559				Jun
		" "	9.5	1970				Jul	246,207	151,105	.614	166,311	100,656	.605				Jul
		" "	8.0	1971				Aug	261,542	172,298	.659	151,409	95,497	.631				Aug
		" "	7.0	1972				Sep	274,090	124,519	.454	227,247	110,313	.485				Sep
								Oct	260,992	160,826	.616	330,999	183,799	.555				Oct
								Nov	230,107	152,889	.664	143,721	92,023	.640				Nov
								Dec	309,184	149,241	.483	305,528	157,968	.517				Dec
Z	GRAND TOTAL IMPORTS	PRIOR RATES	See duty rates for each item	1964		2,843,628		Jan		6,469,584			2,596,956			10,196,344		Jan
	COMBINED DOLLAR VALUATION FOR ALL ITEMS - A TO Q	" "		1965		4,161,674		Feb		4,580,346			5,141,059			8,335,563		Feb
		" "		1966		4,678,465		Mar		5,110,441			7,263,691			8,860,566		Mar
		" "		1967		5,464,069		Apr		5,025,213			7,259,391					Apr
		KENNEDY ROUND		1968		5,914,938		May		5,704,985			8,309,160					May
		" "		1969		7,295,604		Jun		5,823,248			7,514,948					Jun
		" "		1970				Jul		5,300,190			8,700,432					Jul
		" "		1971				Aug		7,237,629			7,074,744					Aug
		" "		1972				Sep		6,269,564			8,080,690					Sep
								Oct		6,444,305			8,316,947					Oct
								Nov		5,895,370			8,164,459					Nov
								Dec		7,118,385			9,124,754					Dec

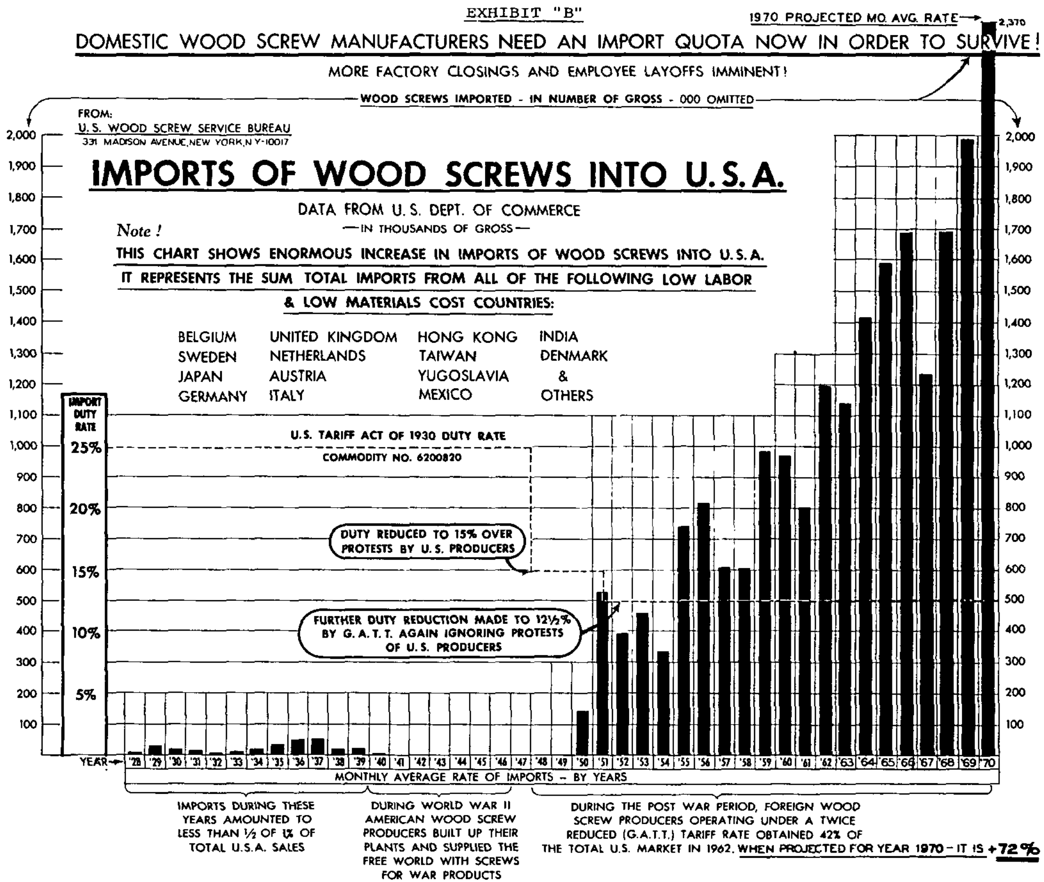


EXHIBIT "B"
1970 PROJECTED MO. AVG. RATE
2,370
DOMESTIC WOOD SCREW MANUFACTURERS NEED AN IMPORT QUOTA NOW IN ORDER TO SURVIVE!
MORE FACTORY CLOSINGS AND EMPLOYEE LAYOFFS IMMINENT!
WOOD SCREWS IMPORTED - IN NUMBER OF GROSS - 000 OMITTED
FROM:
U.S. WOOD SCREW SERVICE BUREAU
331 MADISON AVENUE, NEW YORK, N.Y. 10017
IMPORTS OF WOOD SCREWS INTO U.S.A.
DATA FROM U.S. DEPT. OF COMMERCE
—IN THOUSANDS OF GROSS—
Note !
THIS CHART SHOWS ENORMOUS INCREASE IN IMPORTS OF WOOD SCREWS INTO U.S.A.
IT REPRESENTS THE SUM TOTAL IMPORTS FROM ALL OF THE FOLLOWING LOW LABOR & LOW MATERIALS COST COUNTRIES:
BELGIUM
SWEDEN
JAPAN
GERMANY
UNITED KINGDOM
NETHERLANDS
AUSTRIA
ITALY
HONG KONG
TAIWAN
YUGOSLAVIA
MEXICO
INDIA
DENMARK
&
OTHERS
IMPORT DUTY RATE
25%
20%
15%
10%
5%
U.S. TARIFF ACT OF 1930 DUTY RATE
COMMODITY NO. 6200820
DUTY REDUCED TO 15% OVER PROTESTS BY U.S. PRODUCERS
FURTHER DUTY REDUCTION MADE TO 12½% BY G.A.T.T. AGAIN IGNORING PROTESTS OF U.S. PRODUCERS
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
YEAR
'28 '29 '30 '31 '32 '33 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46 '47 '48 '49 '50 '51 '52 '53 '54 '55 '56 '57 '58 '59 '60 '61 '62 '63 '64 '65 '66 '67 '68 '69 '70
MONTHLY AVERAGE RATE OF IMPORTS - BY YEARS
IMPORTS DURING THESE YEARS AMOUNTED TO LESS THAN ½ OF 1% OF TOTAL U.S.A. SALES
DURING WORLD WAR II AMERICAN WOOD SCREW PRODUCERS BUILT UP THEIR PLANTS AND SUPPLIED THE FREE WORLD WITH SCREWS FOR WAR PRODUCTS
DURING THE POST WAR PERIOD, FOREIGN WOOD SCREW PRODUCERS OPERATING UNDER A TWICE REDUCED (G.A.T.T.) TARIFF RATE OBTAINED 42% OF THE TOTAL U.S. MARKET IN 1962. WHEN PROJECTED FOR YEAR 1970 - IT IS +72%

U.S. WOOD SCREW SERVICE BUREAU
331 Madison Avenue
New York, N. Y. 10017

WOOD SCREW CONSUMPTION IN THE U.S.A.
43 YEAR COMPARISON - IMPORTS vs. DOMESTIC

YEAR	(1) 14 DOMESTIC MANUFACTURERS MONTHLY AVERAGE RATES OF: (U.S. Wood Screw Service Bureau) ORDERS (Gross)	SHIPMENTS (Gross)	(2) IMPORTS OF WOOD SCREWS INTO THE U.S.A. -Monthly Average Rates (U.S. Dept. of Commerce) (Gross)	PERCENT IMPORTS OF DOMESTIC ORDERS	SHIPMENTS
1928	4,658,837	4,900,829	7,879	.17%	.16%
1929	4,651,367	4,740,092	29,204	.63	.62
1930	3,126,982	3,038,209	17,596	.56	.58
1931	2,293,745	2,339,854	12,923	.56	.55
1932	1,570,658	1,627,570	5,342	.34	.33
1933	2,397.476	2,303,708	10,671	.44	.46
1934	2,254,589	2,277,835	14,491	.64	.64
1935	3,140,866	2,891,017	27,155	.86	.94
1936	3,049,753	3,031,882	43,852	1.44	1.45
1937	2,344,171	2,654,333	48,782	2.08	1.84
1938	1,925,929	1,936,490	13,918	.72	.72
1939	2,749,412	2,621,773	12,042	.44	.46
1940	2,803,477	2,668,931	2,229	.08	.08
1941	4,540,936	4,351,851	11	--	--
1942	3,810,778	3,812,598	None	--	--
1943	3,744,580	3,791,818	None	--	--
1944	3,153,931	3,247,862	None	--	--
1945	3,337,249	3,199,669	5	--	--
1946	5,253,600	3,936,848	41	--	--
1947	3,874,916	4,210,695	156	--	--
1948	3,029,845	3,637,110	57	--	--
1949	2.674,422	2,628,030	776	.03	.03
1950	4,992,249	4,239,436	146,689	2.94	3.46
1951	4,053,356	4,365,027	528,214	13.03	12.10
1952	3,238,101	3,301,706	394,448	12.18	11.95
1953	3,530,049	3,578,088	460,141	13.03	12.86
1954	3,405,458	3,362,306	336,896	9.89	10.02
1955	3,255,423	3,147,195	744,026	22.86	23.64
1956	2,829,452	2,807,322	816,558	28.86	29.09
1957	2,393,595	2,408,141	605,489	25.30	25.14
1958	2,290,339	2,201,109	603,836	26.36	27.43
1959	2,453,429	2,454,731	985,537	40.17	40.15
1960	1,914,835	1,922,138	972,422	50.78	50.59
1961	1,902,043	1,930,188	804,826	42.31	41.70
1962	1,614,901	1,637,345	1,198,476	74.21	73.20
1963	1,441,717	1,419,717	1,146,422	79.53	80.75
1964	1,436,517	1,428,761	1,410,828	98.21	98.74
1965	1,504,597	1,489,656	1,592,144	105.82	106.88
1966	1,447,618	1,408,809	1,690,476	116.77	119.99
1967	1,159,635	1,217,691	1,232,069	106.25	101.18
1968	1,148,731	1,147,939	1,691,625	147.26	147.36
1969	1,005,972	965,396	1,989,570	197.77	206.08
*1970-1st Qu.	751,319	823,062	1,956,218	260.37	237.67
By Months					
1969-Jan.	1,175,025	1,074,633	555,031	47.24	51.65
Feb.	1,041,916	1,026,566	1,413,665	135.68	137.71
Mar.	1,199,117	1,136,603	2,078,816	173.36	182.90
*1st Qu.	1,138,686	1,079,267	1,349,170	118.48	125.01
Apr.	1,091,913	1,128,016	2,610,860	239.11	231.46
May	1,203,457	1,037,455	2,154,726	179.04	207.69
Jun.	1,086,454	1,082,026	2,280,166	209.87	210.73
Jul.	921,533	798,925	2,006,820	217.77	251.19
Aug.	904,895	826,109	1,601,279	176.95	193.83
Sep.	840,654	899,006	2,088,088	248.38	232.27
Oct.	1,154,671	1,039,103	2,504,105	216.86	240.98
Nov.	826,081	843,355	1,893,995	229.27	224.57
Dec.	625,945	692,959	2,687,294	429.31	387.79
1970-Jan.	736.534	828.827	2,382,066	323.42	287.40
Feb.	703,012	773,240	1,485,325	211.28	192.09
Mar.	814,410	867,121	2,001,264	245.73	230.79
*1st Qu.	751,319	823,062	1,956,218	260.37	237.67

* NOTE (1) TOTAL U.S. MARKET FOR WOOD SCREWS DURING 1st QUARTER OF 1970 AMOUNTED TO 2,707,537 GROSS. IMPORTED SCREWS OBTAINED 1,956,218 GROSS OR 72.0% WHILE AMERICAN MANUFACTURERS RECEIVED ORDERS FOR ONLY 751,319 GROSS OR 28.0%.

(2) COMPARING TRENDS DURING 1st QUARTER OF 1969 WITH 1st QUARTER OF 1970, IMPORTED SCREWS GAINED +45% WHILE DOMESTIC MANUFACTURERS ORDER VOLUMES DECLINED -33%.

U.S. MANUFACTURERS OF SCREWS AND RELATED FASTENER PRODUCTS

WOOD SCREWS – MACHINE SCREWS – TAPPING SCREWS – SOCKET SCREWS – CAP SCREWS – RIVETS – AIRCRAFT LOCKNUTS – RELATED THREADED ITEMS

98 FACTORIES

COMPANY	LOCATION
ACCURATE THREADED FASTENERS, INC.	CHICAGO, ILL.
ALCOA FASTENER DIVISION	LANCASTER, PA.
ALLEN MANUFACTURING COMPANY	HARTFORD, CONN.
AMERACE-ESNA CORPORATION	UNION, N.J.
AMERICAN CHAIN & CABLE COMPANY, INC.	WATERBURY, CONN.
AMERICAN RIVET COMPANY, INC.	FRANKLIN PARK, ILL.
AMERICAN SCREW COMPANY	WYTHEVILLE, VA.
AMERICAN SCREW PRODUCTS COMPANY	BEDFORD HEIGHTS, OHIO
ANCHOR FASTENERS, DIV. OF BUELL IND., INC.	WATERBURY, CONN.
ANCHOR FASTENERS, DIV. OF BUELL IND., INC.	BEDFORD HEIGHTS, OHIO
ATLANTIC SCREW WORKS, INC.	HARTFORD, CONN.
BELLFORD METAL PRODUCTS, INC.	CLEVELAND, OHIO
THE BLAKE & JOHNSON COMPANY	BEAUFORT, S.C.
BLAKE RIVET COMPANY	SOUTH GATE, CALIF.
M. S. BROOKS & SONS, INC.	CHESTER, CONN.
CAMCAR SCREW & MANUFACTURING	ROCKFORD, ILL.
CENTRAL SCREW COMPANY	BROADVIEW, ILL.
CHICAGO RIVET & MACHINE COMPANY	BELLWOOD, ILL.
CONTINENTAL SCREW COMPANY	NEW BEDFORD, MASS.
DUMONT AVIATION ASSOCIATES, INC.	LAKEWOOD, CALIF.
EATON YALE & TOWNE, INC.	MASSILLON, OHIO
ELCO TOOL & SCREW CORPORATION	ROCKFORD, ILL.
EVERLOCK CHICAGO, INC.	CHICAGO, ILL.
FEDERAL SCREW WORKS	DETROIT, MICH.
E. W. FERRY SCREW PRODUCTS COMPANY, INC.	CLEVELAND, OHIO
THE FERRY CAP & SET SCREW COMPANY	CLEVELAND, OHIO
GREAT LAKES SCREW, DIV. U.S. INDUSTRIES, INC.	CHICAGO, ILL.
H. M. HARPER COMPANY	MORTON GROVE, ILL.
HINDLEY MANUFACTURING COMPANY	CUMBERLAND, R.I.
HOLO-KROME COMPANY	WEST HARTFORD, CONN.
HUBBELL DIVISION, HARVEY HUBBELL, INC.	BRIDGEPORT, CONN.
ILLINOIS TOOL WORKS, INC.	CHICAGO, ILL.
INDIANA METAL PRODUCTS	ROCHESTER, IND.
INTERNATIONAL SCREW COMPANY	DETROIT, MICH.
KAYNAR MANUFACTURING COMPANY, INC.	FULLERTON, CALIF.
KERR-LAKESIDE INDUSTRIES, INC.	CLEVELAND, OHIO
LAKE ERIE SCREW CORPORATION	CLEVELAND, OHIO
CHARLES O. LARSON COMPANY	STERLING, ILL.
LAWRENCE BROTHERS	STERLING, ILL.
LEIGH PRODUCTS, INC., GERWIN INDUSTRIES DIV.	MICHIGAN CITY, INC.
MAC-IT PARTS COMPANY	LANCASTER, PA.
MERRILL MANUFACTURING CORPORATION	MERRILL, WISC.
MIAMI RIVET COMPANY, INC.	HIALEAH, FLA.
MIDLAND SCREW CORPORATION	CHICAGO, ILL.
MILFORD RIVET & MACHINE COMPANY	MILFORD, CONN.
GEORGE W. MOORE, INC.	WALTHAM, MASS.
NATIONAL LOCK COMPANY	ROCKFORD, ILL.
- FASTENER DIVISION	ROCKFORD, ILL.
- DELTA METAL-FORMING DIV.	GREENVILLE, MISS.
- STEEL INDUSTRIES DIV.	CRAWFORDSVILLE, IND.

COMPANY	LOCATION
NATIONAL RIVET & MANUFACTURING COMPANY	WAUPUN, WISC.
NATIONAL SCREW & MANUFACTURING COMPANY	CLEVELAND, OHIO
- PLANT	MENTOR, OHIO
- CLEVELAND DIV.	CLEVELAND, OHIO
- CALIFORNIA DIV.	LOS ANGELES, CALIF.
- CHANDLER PRODUCTS CORPORATION	CLEVELAND, OHIO
- SOUTHERN DIVISION	CULLMAN, ALABAMA
OLYMPIC SCREW & RIVET CORPORATION	DOWNEY, CALIF.
OMARK INDUSTRIES	EL SEGUNDO, CALIF.
WM. H. OTTEMILLER COMPANY	YORK, PA.
PARKER-KALON CORPORATION	CLIFTON, N.J.
P. B. FASTENERS	GARDENA, CALIF.
PHEOLL MANUFACTURING COMPANY	CHICAGO, ILL.
PHEOLL OF NEW ENGLAND	TORRINGTON, CONN.
PIONEER SCREW & NUT COMPANY	ELK GROVE VILLAGE, ILL.
PRECISION RIVET COMPANY	LOS ANGELES, CALIF.
REED & PRINCE MANUFACTURING COMPANY	WORCESTER, MASS.
REPUBLIC STEEL CORPORATION	CLEVELAND, OHIO
ROCKFORD AEROSPACE PRODUCTS, INC.	SANTA ANA, CALIF.
ROCKFORD SCREW PRODUCTS COMPANY	ROCKFORD, ILL.
SAFETY SOCKET SCREW CORPORATION	CHICAGO, ILL.
ST. LOUIS SCREW & BOLT COMPANY	ST. LOUIS, MO.
SCREW & BOLT DIV. MODULUS CORPORATION	PITTSBURGH, PA.
SCREW & BOLT DIV. MODULUS CORPORATION	CHICAGO, ILL.
SET SCREW & MANUFACTURING COMPANY	BARTLETT, ILL.
SOUTHINGTON HARDWARE DIV. MODULUS CORP.	SOUTHINGTON, CONN.
SOUTHERN SCREW COMPANY	STATESVILLE, N.C.
STANDARD PRESSED STEEL COMPANY	JENKINTOWN, PA.
- CLEVELAND CAP SCREW PLANT	CLEVELAND, OHIO
STANDARD SCREW COMPANY	HARTFORD, CONN.
STANSCREW FASTENERS	BELLWOOD, ILL.
TEALE MACHINE COMPANY	ROCHESTER, N.Y.
J. L. THOMSON RIVET CORPORATION	WALTHAM, MASS.
TIME SCREW & MANUFACTURING CORP.	ROCKFORD, ILL.
TOWNE ROBINSON FASTENER COMPANY	DEARBORN, MICH.
TOWNSEND COMPANY	BEAVER FALLS, PA.
TOWNSEND COMPANY	
- BOOTS AIRCRAFT NUT DIVISION	SANTA ANA, CALIF.
- CHERRY RIVET DIVISION	SANTA ANA, CALIF.
- TUBULAR RIVET & STUD DIV.	BRAINTREE, MASS.
TROJAN RIVET COMPANY	GLENDALE, CALIF.
TRU-FIT SCREW PRODUCTS CORP.	CLEVELAND, OHIO
UNITED SCREW AND BOLT CORPORATION	CLEVELAND, OHIO
UNIVERSAL SCREW COMPANY	FRANKLIN PARK, ILL.
VOI-SHAN/DIV. OF VSI CORPORATION	CULVER CITY, CALIF.
WALES-BEECH CORPORATION	ROCKFORD, ILL.
WEJ-IT EXPANSION PRODUCTS, INC.	BROOMFIELD, OHIO
WHITNEY SCREW CORPORATION	NASHUA, N.H.

DESIGN PRODUCTS, INC.,
Sarasota, Fla., May 20, 1970.

JOHN MARTIN, Jr.,
Chief Counsel, House Ways & Means Committee,
Longworth Building, Washington, D.C.

DEAR MR. MARTIN: I am writing to you regarding the hearings on foreign trade competition.

I am president of Design Products, Inc. and wish to lodge my protest regarding merchandise which we manufacture and which has been copied by Japanese manufacturers.

The result has been that we have lost our customers to this unfair competition.

Why should these people be permitted to ship into this country manufactured goods made with labor costs far below our standard? A tariff should be placed on this merchandise to protect the American manufacturer.

The items in question are the various rod holders shown on the enclosed catalog.

I am sorry that I cannot attend the hearings, as I would like to voice my concern.

I am sending a copy of this letter to Congressman J. A. Haley. Also enclosing a photostat of our letter to Mr. Halely, mailed 6/22/67.

With best regards, I am

Very truly yours,

HARRY GOODMAN, *President.*

Mr. BURLESON. The next witness is Sidney Silver, vice president of Foreign Trade Division of the National Association of Secondary Material Industries, Inc.

We are glad to have you, Mr. Silver.

STATEMENT OF SIDNEY SILVER, VICE PRESIDENT, FOREIGN TRADE DIVISION, NATIONAL ASSOCIATION OF SECONDARY MATERIAL INDUSTRIES, INC.

Mr. SILVER. Mr. Chairman, we have submitted a full brief of our position. I would like to give a more concise one in the interest of keeping within the time designated.

Mr. BURLESON. Very good, sir. Thank you.

Mr. SILVER. Mr. Chairman, my name is Sidney Silver and I am the vice president of the Foreign Trade Division of the National Association of Secondary Material Industries, a national trade organization now in its 58th year. The Foreign Trade Division represents the leading importers and export of secondary materials in the United States, including such commodities as nonferrous metals, paper stock, and secondary textiles.

The Foreign Trade Division strongly believes in the principle of free international trade. It is firmly convinced that U.S. trade policy must move in the direction of free trade through the elimination of restrictive export controls, as well as oppressive tariff and tax laws.

Our members have, over a period of many years, built very excellent relations with foreign customers. They travel abroad, on a regular basis, to maintain their contracts with these foreign customers; many of the companies have offices abroad; and many exporters are members of the Bureau International de la Recuperation, the international secondary materials trade association. Our U.S. export firms have been able to develop overseas markets and maintain them despite sharp world competition.

1. This has aided the United States balance-of-payments position.
2. It has helped strengthen the U.S. economy.
3. It has established outlets for certain secondary materials which

either had no market in this country or had limited demand domestically. As a result, it has played a vital role in the concept of recycling secondary materials which otherwise would have to be dumped or destroyed. This has aided our country in removing obsolete and discarded materials from the streets and highways and thus helped in the program of beautification.

4. It has led to the cementing of good will with other nations and friendly relations with U.S. allies broad.

5. Helps to maintain worldwide equilibrium in supply demand which, in turn, helps stabilize the price in the United States.

The rapid rate of industrialization abroad has given impetus to the worldwide demand for secondary materials. This is particularly true of many of the Western European countries, as well as Japan. Traditionally, the United States has been the major exporter of scrap to overseas consumers, who have been dependent on U.S. supplies. By not making scrap available to them, these consumers have had to search for other sources of raw material, thus depriving the United States of those copper sources in the form of ores and concentrates. Because of the inability of U.S. exporters to meet commitments as a result of embargoes and quotas, the relationships developed by U.S. suppliers over many years are slowly being eroded.

We might point out here that secondary metals, for example, play a vital role within the total metal industry operations. Over 3 million tons of nonferrous scrap metals are annually processed by dealers and consumed by the domestic consuming industry in the United States. Approximately 45 percent of the total available copper is recovered from scrap, as is about 30 percent of all aluminum and 18 percent of all zinc. More than 50 percent of the total domestic lead supply is recovered from scrap and approximately 15 to 20 percent of all nickel.

The United States remains the largest exporter of nonferrous scrap metals in the world and many of our allies in Western Europe and the Far East depend on our supplies of secondary metals to help them in the process of industrialization. Unless these countries—and many of the emerging nations, too—can secure these available secondary materials, they will be forced to turn to other countries to meet their requirements. Some of the Soviet satellite nations have already begun to compete with the United States in foreign markets. A loss in U.S. export business will mean a loss in the balance of payments for this country.

One of the major problems facing us today is the need to reutilize and cycle secondary materials in order to help create an improved environment. Unless the effort is made to recycle vast tonnages of secondary resources back in the industrial mainstream, we will be faced with a pileup and accumulation of staggering quantities of solid wastes in this country. One of the ways to stimulate this recycling process is to export those secondary materials which cannot be readily utilized in the United States but which have markets abroad.

It is apparent that this will become an important phase of the entire recycling effort. The more material we can export or reuse overseas, the better for our economy and the better for our environmental management. It is therefore vitally important that every effort be made to encourage the movement of secondary material to those outlets where it can be recycled.

Unless this encouragement is forthcoming, there will be a breakdown in the collection machinery in the United States among scrap dealers which would be most harmful for the future collection and processing of solid wastes domestically.

We therefore urge that steps be taken to permit the widest possible latitude in exports of secondary materials from the United States in the interests of both the economy of the United States and of its future environmental programs.

The harmful effects of restrictive export controls can be gaged in two specific metals: (1) Copper and copper-base scrap; and (2) nickel and stainless steel scrap. We should like to describe these two developments in somewhat greater detail.

(1) In November 1965, export quotas were established by the Department of Commerce for copper and copper-base scrap. Under the terms of these quotas, export shipments for these commodities were drastically reduced one-third of what they were formerly (from 90,000 tons to 30,000 copper content tons.) While there has been a slight liberalization of these quota figures, the export industry has been operating under these restrictive quotas for about 5 years.

It has become obvious that the long-term maintenance of the quotas has had deleterious effects on U.S. export firm relationships with foreign consumers. It has given other countries a change to move into areas supplied by U.S. exporters and taken away their business. It has stratified a system of controls intended to be temporary and made it into a permanent method of operation. It has eliminated initiative among new firms who might have entered into the export business by freezing them out because of the restrictive quota system. It has caused a dislocation of the movement of raw material supplies on an international basis which in turn has contributed to the widening of the price gap in the two-tier price system.

Perhaps most of all, it has not cured the disease it was supposed to cure. The export controls were established in 1965 in order to ease the shortage of copper and to reduce the inflationary trend which the Government felt was becoming a threat in the copper market. But any statistical study would show that export controls have accomplished neither: the supply-demand situation in copper today is hardly any different than it was in 1965; and the price of domestic primary copper has gone up substantially since 1965.

It was the contention of the Foreign Trade Division when quotas were first introduced in 1965 that they would not stabilize the copper situation but would, on the other hand, cause further dislocation of supplies and tend to disrupt the international market situation. What has happened is that the supply of scrap hopper in the last 5 years has shown substantial growth; more and more scrap has been supplied to the domestic consumers; but portions of this scrap might normally be exported to foreign consumers has had to be kept in this country despite the fact that during the past 5 years many domestic consumers have not been in the market for it.

Obviously, export controls can, therefore, become a device for administering price controls. By shutting out one possible market—the foreign market—the movement of material can only be directed to domestic consumers who can then "control" the prices they pay for the scrap. The original intent of the export quotas may therefore be subverted, in favor of one particular segment of the U.S. industrial community at the expense of another.

We might point out that the sum total of copper and copper-base scrap export in prequota years was roughly about 5 percent of the total volume of scrap generated. We feel that the export of this small percentage of material could not in any way injure the domestic industry in this country. There are today adequate supplies of copper available for all consumers. To have put into effect a control mechanism that has lasted 5 years is of inestimable harm, however, to the entire U.S. export trade and the U.S. economy.

(2) An even more dramatic example of Government export restrictions can be found in the total embargo of nickel and stainless steel scrap exports which was instituted by the Department of Commerce in July 1969. The embargo was the result of a major strike among Canadian nickel companies which brought the flow of nickel to a virtual halt.

Exporters of nickel and stainless scrap showed understanding of the need for such an embargo when it was first announced. In meetings with officials of the Department of Commerce they indicated their cooperation in seeing to it that domestic consumers of nickel and stainless steel scrap would receive all available supplies of material throughout the emergency. It might be pointed out that were it not for the tremendous flow of nickel and stainless steel scrap during the strike period, many U.S. consuming plants might have had to close down. As it was, not a single plant closed its doors.

During this period we urged the Department of Commerce to prepare for the time when the emergency was ended, in order to permit immediate resumption of exports of nickel and stainless scrap to customers abroad with whom our industry has had longstanding commitments.

The strikes ended in November 1969. But it was not until 6 months later that the Department of Commerce took action to ease the embargo. In the meantime, the nickel shipments by the major Canadian nickel companies returned to normal and the market for scrap declined sharply. Prices fell below prestrike levels. After constant urging by our association, the Department of Commerce finally took initial steps to end the embargo and eliminated earlier announced plans to institute quantitative export quotas on July 1, which our association had strongly opposed.

Quantitative controls would have brought about chaotic conditions within the industry and stratified a system of controls which had no reason for being imposed under existing market conditions.

We bring these two cases to the attention of the House Ways and Means Committee as evidence of what can happen once the Government embarks on tactics of controlling the free flow of materials. The result is frustration, dislocation, inequality, and discrimination. The United States should be encouraging, rather than discouraging, the movement of secondary materials in international trade.

One other point has to be made, and that is the consistent rise in transportation costs. Because of this, our export industry is facing severe world competition in moving our commodities.

The shipping interests are piling on successive freight boosts on ocean transport of our materials. In some instances the transportation costs have become greater than the actual cost of the material. As a result, some types of secondary material have to remain in this country, accumulating as solid waste, rather than finding outlets abroad where they could be sold to consumers who could utilize them. Such mounting freight costs are doing permanent harm to American exports.

We urge Congress to reexamine the very basis of our trade policy in order to encourage foreign trade. Our association last month met in London with many other secondary trade organizations throughout Europe, at the meeting of the Bureau International de la Recuperation, in an attempt to eliminate world trade barriers and to build international good will.

The 1970's will see a greater world demand for raw materials, particularly in the emerging nations. If the United States is to play a major role in the future as a supplier of such goods and commodities, it is vitally important that restrictions and impediments to the flow of secondary materials be eliminated and that the Government do everything in its power to encourage and enforce the free trade policies which have helped the United States become a major force in the world market.

On behalf of the association we wish to thank you for letting us be here today.

Mr. BURLESON. Thank you for coming, Mr. Silver. That is a very interesting statement.

Mr. Pettis, do you have questions?

Mr. PETTIS. No, thank you.

Mr. BURLESON. Again we thank you, Mr. Silver.

(The following statements were received for the record:)

STATEMENT OF THE ALUMINUM ASSOCIATION, SUBMITTED BY MONROE LEIGH, COUNSEL, INTERNATIONAL POLICY COMMITTEE

This statement is filed on behalf of The Aluminum Association, whose membership and purposes are set forth in Appendix A. The Association's comments are directed to general United States trade policy as it has evolved since 1962 and as it may be expected to develop during the decade of the 1970's. This presentation does not deal specifically with the detailed provisions of H.R. 14870 or any other particular trade bill except to note that the Association favors continued expansion of world trade on a genuinely reciprocal basis. Instead, the focus of these comments is related to the methods of trade negotiation and the elimination of trade barriers as seen from the perspective of the aluminum industry at this time.

It is a common observation that the problems of trade policy are infinitely more complicated for the United States now than they were in 1934 when the reciprocal trade program was launched. Nevertheless, the basic objective of United States foreign trade policy remains valid: to press for continued encouragement of reciprocal world trade through the elimination of inequities and the reduction of trade barriers generally with the objective of expanding that trade on a worldwide basis. At this stage in our history, however, it is far more important to develop the techniques for achieving this condition than to reiterate that general objective.

The principal recommendations offered by The Alumnium Association may be summarized briefly:

1. The fundamental purpose of American trade policy should be to foster and maintain world market conditions which permit genuine international competition on the basis of business considerations. By this we mean competition based on business skills and on more efficient use of resources, rather than on subsidies and advantages resulting from national procedures and policies. Accordingly, the Association strongly recommends that a major effort be made to eliminate inequities in tariff treatment and to reduce nontariff barriers and other restrictive techniques which prevent genuine international business competition.

2. Tariffs, i.e., customs duties, on aluminum products should be harmonized at the lowest possible level. In this respect we point out as we have in earlier statements to this Committee, that one of the major unresolved problems in aluminum

trade is the substantial disparity between United States and European Economic Community traiffs on aluminum products. Both the Kennedy Round negotiations and subsequent price changes have resulted in even greater disparities than exacted at the time of the 1962 Trade Expansion Act. A major concern for the American aluminum industry is the elimination or narrowing of these disparities in aluminum tariffs.

3. In the Kennedy Round negotiations a tentative effort was made to negotiate tariff reductions on a "sector" basis. Aluminum was one of the sectors identified for this approach but unfortunately this approach was not pursued adequately. The Association continues to believe that in an industry as complex, as international, and as dynamic as aluminum a sectoral approach holds promise for significant steps toward expansion of aluminum trade.

INTERNATIONAL CHARACTER OF THE ALUMINUM INDUSTRY

The Association's recommendations as summarized above are based on the special characteristics common to the aluminum industry both in the United States and in Canada and overseas:

1. The major aluminum companies have substantial and growing foreign investments which are seriously affected by such factors as availability of resources including bauxite resoures, costs of electric power, and access to mass markets. The existence of trade barriers, whether of a nontariff or of a tariff variety, is also an important consideration in investment decisions by reason of their effect on market access.

2. United States exports of aluminum have risen rapidly during the last ten or fifteen years, despite the restraints imposed by various trade barriers. Thus, the marketing and sales activities of the North American aluminum industry may be fairly described as already substantially international in character.

3. Aluminum technology has been internationalized to a highly significant degree. Thus, since no producer has a significant technological advantage, market development activities cannot fail to benefit all producers. It is shortsighted, therefore, to adopt restrictive practices which inhibit market development.

EQUAL OPPORTUNITY TO COMPETE

In the hearings on the Trade Expansion Act of 1962, spokesmen for the Aluminum Association emphasized the importance of securing equal access (i.e., equal opportunity to compete) to aluminum markets abroad. Indeed, the Association proposed at that time that the statement of purposes in the 1962 legislaion should include as a specific objective in trade negotiations the achievement of equal access for American products in foreign markets. Unfortunately, in our view, this recommendation was not adopted, partly because it was believed that this specific objective was embraced within the scope of other, more broadly stated objectives.

The Kennedy Round negotiations did not go far enough in eliminating inequities affecting aluminum foreign trade. Most aluminum tariffs of the major industrial nations were lowered and in some cases the gap between the generally lower United States tariff and the higher foreign tariff was narrowed. However, there were important instances in which the gap or disparity was actually widened. This was especially true with respect to the European Common Market which, next to the United States, is the largest market for aluminum in the world.

It is particularly significant that the most important United States negotiating objective with respect to aluminum tariffs, i.e., a reduction of the Common Market ingot tariff, was not achieved during the Kennedy Round negotiations. Ingot is the largest product group involved in aluminum foreign trade, whether one looks at the import side or the export side. The EEC aluminum ingot tariff stood at 9% ad valorem prior to the Kennedy Round and remains at that level today with the following technical exception: In the Kennedy Round the EEC agreed to bind an EEC quota of 130,000 tons per year at 5% ad valorem whereas prior to the Kennedy Round negotiations there was a year-to-year 5% tariff quota for the individual members of the Common Market. On the other hand, the United States agreed during the Kennedy Round to reduce its ingot tariff by 20%. The net result was that the Kennedy Round worsened the United States tariff position in aluminum ingot as compared to the EEC. Thus, the EEC tariff prior to the Kennedy Round was 60% higher than the United States tariff. The EEC tariff is now more than 100% higher than the United States tariff.

In the light of the foregoing the Aluminum Association feels justified in reiterating its basic recommendation regarding trade policy: The United States should seek to establish conditions for equal opportunity to compete in all major aluminum markets. There is no justification for differentials in tariff rates and other trade restrictions among the major industrial countries. We believe, therefore, that tariff levels in particular should be reduced to the lowest possible levels. However, we call attention to the fact that the equal opportunity principle also implies that if other major aluminum trading countries or trading blocs such as the European Common Market refuse to reduce aluminum tariffs, then the United States should be prepared to adjust its tariff upward to achieve equality. It should be noted that the trade agreements program since its inception in 1934 has provided authority for the President to negotiate upward adjustments in tariffs as well as downward adjustments. This authority should be used when necessary to promote equality. In this connection the Association believes that the President's proposal in Section 203 of the pending bill (H.R. 14870) to amend Section 252 of the Trade Expansion Act of 1962 is highly desirable and indeed long overdue. As presently written Section 252 permits the President to impose additional duties or other import restrictions on the products of any foreign country which maintains unjustifiable restrictions "against United States agricultural products.' The President has proposed that the word "agricultural" be deleted so that the President will have the power to take forceful action against unjustifiable foreign restrictions against any United States products. The Association strongly supports this change.

THE SECTORAL APPROACH

During the Kennedy Round negotiations Eric Wyndham-White, the Director General of GATT, came to the conclusion that special progress in dealing with foreign trade problems could be made in certain sectors of industrial production. Specifically he pointed out that the sectoral approach should be productive of negotiating progress in industries "characterized by modern equipment, high technology and large scale production, and by the international character of their operations and markets. . . ." This approach was considered in a tentative way for aluminum among other industries during the Kennedy Round negotiations but was not pursued. The Association continues to believe that sectoral negotiations offer promise.

IMPORT QUOTAS

The major nontariff barrier affecting aluminum trade is the import quota. In 1968 when testimony was presented to this Committee on behalf of the Association, this problem was discussed at length. We quote below from that testimony since it is still entirely relevant:

"Another nontariff barrier issue—one that has been receiving increasing attention at home—is that of import quotas. The interest of The Aluminum Association in this subject derives from the fact that aluminum foreign trade takes place in the same economic and political climate as does other United States foreign trade. Thus, major developments in other industries also affect aluminum foreign trade conditions. For example, the United States-EEC Kennedy Round controversies over agriculture undoubtedly added to the United States negotiators' difficulties in dealing with the EEC on aluminum. Similarly, the current efforts of some domestic industries to obtain import quotas are bound to influence the policies and practices of those nations which feel that such quotas would restrict their sales in the quota-protected markets."

"Many of the quota-sensitive countries also export aluminum products to the United States and, to some degree, are markets for United States aluminum exports. Quota action for other United States industries could thus have a two-way effect on United States aluminum foreign trade: (a) heavier imports of aluminum or aluminum-containing products into the United States than the domestic market could absorb in healthy fashion, and (b) more difficulty in maintaining or expanding United States exports of aluminum or aluminum-containing products."

"Should import quotas be established by the United States for other major domestic industries, fairness would require safeguards for the United States aluminum industry from the possible repercussions of such quota action. Aluminum tariffs are low here, and there are virtually no tariff barriers to keep imports out. Without appropriate safeguards, foreign nations seeking dollar exchange, but kept out of other product markets in the United States by quotas, might concentrate disproportionately on selling in the readily accessible aluminum markets here. This type of import, stimulated by frustration elsewhere rather than by regular business competition, would not make for healthy foreign trade in aluminum."

"Because of the pressure of governmental policies, we can no longer take for granted that the international market place can make adjustments rapidly enough or sufficient to assure healthy competition or the most efficient utilization of natural and human resources. Nevertheless, trade policy should favor, as much as possible, reliance on business competition, rather than on governmental regulation."

"When national interest or the basic health of an essential industry does require the intervention of governmental regulation, it should be as *temporary* and *flexible* as possible. Accordingly, limitations on imports should not take the form of fixed 'ceilings' over extended periods."

"It may prove necessary, in specific instances, to place temporary and reasonable limits on market participation by imports when disparate national policies undermine the conditions of international business competition. However, competing domestic and foreign suppliers should have the incentive and opportunity to increase their shipments to a market, and even to increase their share of that market. The emphasis should be on flexibility and on providing the opportunity to stimulate, and participate in, market growth."

We are grateful for the opportunity to present the views of The Aluminum Association.

APPENDIX "A".—NATURE OF THE ALUMINUM ASSOCIATION

The Aluminum Association is a non-profit, unincorporated organization composed of companies within the United States engaged in the production and fabrication of aluminum. The Aluminum Association was organized in 1935 to promote the general welfare of the aluminum industry, its members, and all others affected by it, and to increase the usefulness of the industry to the general public. As of the present time, the Association is comprised of 69 members accounting for nearly 100 percent of the primary aluminum production in the United States and manufacturing roughly 80 percent of the country's semi-fabricated aluminum products. The following companies are members:

Acme Aluminum Foundry Company.
AE Division, Hoover Ball and Bearing Company.
Alcan Aluminum Corporation.
Alloys and Chemicals Corporation.
Aluminum Limited, Incorporated.
Aluminum Casting & Engineering Company.
Aluminum Company of America.
Aluminum Mills, Inc.
Amax Aluminum Company.
American Aluminum Casting Co.
Anaconda Aluminum Company.
Anaconda Wire and Cable Company.
Arc Products Manufacturing Division.
Archer Products, Inc.
The Arcola Wire Company.
The Castings Corporation.
Clendenin Bros., Inc.
Cliff Manufacturing Company.
Club Products Company.
Collyer Insulated Wire Company.
Copperweld Steel Company.
Detroit Gasket & Manufacturing Company.
Eastern Casting Corporation.
Ekco Products Inc.
Fischer Casting Company, Inc.
Foote Mineral Company.
General Cable Corporation.
Harvey Aluminum (Incorporated).
The Harvey Metal Corporation.
Heilig Brothers Company.
Howmet Corporation.
Intalco Aluminum Corporation.
Kaiser Aluminum & Chemical Corp.
Mansfield Brass & Aluminum Corporation.
Mideast Aluminum Industries Corp.
Midwest Aluminum Corporation.
Minalex Corporation.
National-Standard Company.
National Steel Corporation.
New Jersey Aluminum Company.
New York Wire Company.
Nichols-Homeshield, Inc.
Noranda Aluminum, Inc.
Oberdorfer Foundries, Inc.
The Okonite Company.
Olin Corporation.
Permold, Inc.
Phifer Wire Products, Inc.
Revere Copper and Brass Incorporated.
Reynolds Metals Company.
Ross Pattern & Foundry, Inc.
Russell Aluminum Corporation.
Saramar Aluminum Company.
Schick Products, Inc.
Scovill Manufacturing Company.
S–G Metals Industries, Inc.
Simplex Wire & Cable Company.
Southwire Company.
Stranahan Foil Company, Inc.
Texas Aluminum Company, Inc.
Triangle Conduit & Cable Co., Inc.
United Aluminum Corporation.
U.S. Reduction Co.
V.A.W. of America, Inc.
Warner Mfg. Corp.
Wellman Dynamics Corporation.
Wells Aluminum Corporation.
Wolverine Tube Division, Universal Oil Products Company.
Wyman-Gordon Company.

REYNOLDS METALS COMPANY,
Washington, D.C. June 26, 1970.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: In the area of trade policy, the position of the United States primary aluminum industry, including that of Reynolds Metals Company, has been and continues to be in support of free access by all producers to all markets of the world.

The domestic industry believes that there is no justification for a differential in tariff rates and other trade restrictions applicable to aluminum among the major industrial countries. What is needed is the establishment of conditions for equal opportunity for all nations to compete in all major aluminum markets throughout the world.

Implicit in this position is the elimination of tariff and non-tariff barriers in all countries trading in aluminum. In the case of primary aluminum, which is by far the largest product group in aluminum foreign trade, the United States tariff already is less than one-half that of the current tariffs of other major aluminum trading countries, including Japan and the European Common Market.

The first step in reaching the objective of equal access must be the equalization of the differentials in such tariffs and non-tariff barriers. In other words, the gap between the rate of duty which exists between the United States on the one hand, and the combination of tariffs and non-tariff barriers of other major aluminum trading countries and blocs on the other, must first be eliminated. Until this has occurred the United States Government should not consider a further reduction in the United States aluminum tariff. Once tariff parity has been achieved, then the United States and the other aluminum trading countries and blocs could move together pursuant to a mutually agreeable timetable to the ultimate elimination of the remaining tariffs and non-tariffbarriers.

It is respectfully requested that this letter be included in the Record of the current hearings before the Ways and Means Committee.

Sincerely,

MAXWELL CASKIE,
Vice President.

STATEMENT OF ERIC A. TRIGG, PRESIDENT, ALCAN ALUMINUM CORPORATION

The United States aluminum industry is deeply engaged in the foreign trade of the United States, as well as the trade of other countries. The industry, of which Alcan Aluminum Corporation is a part, is therefore concerned with certain legislative proposals before the Committee. In this statement Alcan presents a brief outline of certain aspects of trade in the aluminum industry and makes two suggestions respecting provisions of bills before the Committee, which affect the aluminum industry.

Alcan Aluminum Corporation is one of the larger aluminum fabricators; its main office is in Cleveland, Ohio. It is the United States operating unit of Alcan Aluminum Limited of Montreal, Canada. It has 12 fabricating plants in seven states, employs 5,000 employees and operates 17 metal service centers. It is the largest user of aluminum ingot produced by the Aluminum Company of Canada, Ltd. It is also the largest U.S. exporter of semi-fabricated products.

Until recently total U.S. imports of primary aluminum and aluminum products historically exceeded exports. As the result of the strong demand in other countries, total U.S. aluminum exports for the first quarter of 1970 exceeded imports by a substantial margin. On the other hand, bauxite is largely imported and imports of alumina are increasing.

The multinational character of the aluminum industry is probably well known to the Committee. Alcan has operated on an international basis for over forty years and today each of the other major aluminum companies operating in the U.S. also conducts its business on a world basis. The amount of primary aluminum capacity outside the United States with which U.S. primary producers have affiliations totals more than 900,000 tons, which output is greater than the aluminum capacity of any single country of the free world other than the United States and Canada, and equal to 24% of U.S. domestic aluminum capacity.

We know of no case of a primary aluminum plant in any country of the free world which has ceased operating in the last twenty years. Most of them have been expanded or modernized and 44 new primary aluminum plants have been completed in the free world since 1950, a capital investment of some $5.5 billion.

The U.S. industry and the users of aluminum have benefited as a result of this multinational development. The number of primary aluminum producers here will have grown from three in 1947 to fourteen by the end of 1971.

Independent fabricators in the United States have seen their share of the mill product market rise from less than 5% in 1952 to 32% in 1969. Many of these fabricators rely on imported aluminum and as a group get about a quarter of their primary aluminum from foreign sources.

The principal products of the aluminum industry moving in world commerce are bauxite, the ore of aluminum—approximately 25 million tons a year; alumina, the intermediate product—6 million tons; primary aluminum—2 million tons. Bauxite and alumina rank fourth among the leading dry bulk cargoes in world commerce. Foreign commerce in these basic products of the aluminum industry are a high percentage of total world production of these porducts, perhaps higher than for any other basic industry, except petroleum. Trade in primary aluminum between nations of the free world has quadrupled since 1955.

However, only a relatively small percentage of the *fabricated aluminum products*—sheet, foil, extrusions—move in world commerce. Most of these products are used in the country of area of manufacture because of freight costs and applications specialized to the particular user.

Once all the tariff reductions agreed to in the *Kennedy Round* are in effect, there will be no duty on bauxite in any of the major consuming areas. Tariff duties in alumina and aluminum will be as follows:

	United States (per ton)	EEC (percent)	Japan (percent)	United Kingdom (percent)
Alumina	$2.40	8.8	0	8
Aluminum	20.00	(1)	9	0

1 130,000 m.t. at 5 percent, remainder at 9 percent.

Note: On an ad valorem basis the U.S. duties were in 1969 equivalent to 3.86 percent in the case of alumina and 4.3 percent in aluminum.

These tariff duties serve no useful function. They add to the cost of production and are therefore inflationary. The duties are vestiges of the local and national condition of the industry before it became multinational.

It is well known that the world aluminum industry requires very large capital investment; its prices and its profits are relatively low. During 1964–68 the average profits after tax of the four largest aluminum producers, including Alcan, were 9.4% on shareholders' equity, compared with 12.4% for U.S. manufacturing industry as a whole. Tariff duties amounting to millions of dollars are, therefore, particularly burdensome on the earnings required for growth. The industry and the users of aluminum would benefit if the duties were removed.

The United States is the world's largest importer of alumina, as well as a leading exporter. Imports in 1969 amounted to 1,700,000 tons, most of which came from Australia and Surinam. The U.S. also exported almost a million tons. *The U.S. duty on alumina* when used to produce aluminum is suspended under P.L. 90–615 until July 1971. If the U.S. alumina duty is not removed or suspended, the duties on imports into this country will be a heavy burden on these companies importing.

Alumina imports into the Common Market in 1969 were 300,000 tons, mostly from Surinam and Guinea. The plans for building large amounts of new aluminum capacity in the Common Market by U.S.-affiliated companies and others may result, unless compensated by equivalent alumina capacity, in increased imports of alumina. At 8.8% on an assumed dutiable value of $60 a ton, the duty will be $5.28 a ton and thus a burden to the development of aluminum consumption in the Common Market.

It should be mentioned that the Common Market duty on alumina will be 5.5% by 1972 instead of 8.8% if Congress revokes the American Selling Price provision.

Japan is neither a large importer nor exporter of alumina; it imports bauxite which is free of duty in that country. *The United Kingdom*, when it becomes a major aluminum producer next year, will be an importer of alumina. Only one of the three smelters being built there will be supplied by alumina produced within the country. The U.K. duty of 8% is not applied to imports from Commonwealth sources, nor from EFTA countries, but will apply to alumina from the United States. The U.K. is seeking admission into the Common Market and the duties on alumina and aluminum entering the U.K. may change. *Norway* relies entirely on imported alumina, but has no duty on the product nor on aluminum.

Its imports of alumina too would be affected if it joins the Common Market.

The situation regarding *tariff duties on primary aluminum* in the major countries is similar to alumina. Both the U.S. and the Common Market, as well as Japan, are major importers of aluminum and the duties on aluminum in these areas are unnecessary and financially burdensome. The United States is a major supplier of aluminum to Common Market countries while imports into the U.S.A. come mainly from Canada and Norway.

The two principal bills before the Committee, HR–14870 and HR–16920, fail to provide the President with sufficient authority to negotiate to remove these duties, either with respect to the U.S. or to major foreign countries. As indicated, U.S. duties on alumina and aluminum are on an ad valorem equivalent to less than 5% but exceed the 2% level suggested in HR-14870.

We believe that the legislation being considered should include an affirmative program to reduce some tariff duties, and we suggest that the authority which was contained in the Trade Expansion Act of 1962, Section 202, authorizing the President to reduce or remove entirely rates of duty amounting to less than 5% ad valorem or its equivalent, should be included in the legislation under consideration. Such low rates serve no purpose on most products and in connection with the aluminum industry, where the volume of foreign trade is so great; such rates on alumina and primary aluminum represent a wholly unnecessary and onerous burden on the industry with no benefit that we can see to any domestic manufacturing or labor interest.

We also suggest that authority, perhaps limited, should be given to the President to reduce certain U.S. tariff duties without necessary regard to compensation or offset to any increase in other duties made as a result of escape clause proceedings. We refer to those situations where only part of the President's Trade Expansion Act authority to reduce the U.S. duty was used in the Kennedy Round. This occurred with respect to primary aluminum where the rate was reduced by only 20%.

We hope that this brief outline of the circumstances in the aluminum industry will prove helpful to the Committee and that the Committee will consider our suggestions concerning the proposed legislation. We believe that the United States should continue its leadership in moving towards freer world trade in alumina and aluminum and that in such efforts the basic materials of the aluminum industry—bauxite, alumina and primary aluminum—should be foremost in such considerations.

Mr. BURLESON. The committee will adjourn until 10 o'clock tomorrow morning, June 12.

(Whereupon, at 4:05 p.m. the committee was adjourned, to reconvene at 10 a.m., Friday, June 12, 1970.)